Office of the Chief Financial Officer Office of Tax and Revenue

1999 Stewardship Report





The Government of the District of Columbia





GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF TAX AND REVENUE

FISCAL YEAR 1999 STEWARDSHIP REPORT

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Natwar M. Gandhi Herbert Huff

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GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of Tax and Revenue

FISCAL YEAR 1999 STEWARDSHIP REPORT

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ADVISORY GROUP

Established in October 1997, the Office of Tax and Revenue Advisory Group consists of community and business leaders working in the areas of property tax, income tax, economic development, and tax-exempt issues. Through regular meetings, the Advisory Group provides tax administration policy advice to the Office of Tax and Revenue. Members during FY 1999 are listed below.

Dan R. Bucks. Executive Director. Multistate Tax Commission

Bobby L. Burgner, Director for State and Local Taxes, General Electric

Michael A. Cain, Esquire, Hamilton & Hamilton

Sam Chappell, Attorney, Sole Practitioner

David Chitlik, Director of Lodging, Sales, and Property Tax, Marriott Lodging

Sheldon S. Cohen, Partner, Morgan, Lewis & Bockius, LLP

Harley Duncan, Executive Director, Federation of Tax Administrators

Ted Groom, Partner, Groom Law Group, Chartered

Marie Johns. President, Chamber of Commerce

Doug Lindholm, President & Executive Director, Committee on State Taxation

W. Shaun Pharr, Vice President for Governmental Affairs, The Apartment and Ofc. Bldg Assoc.

Margaret Milner Richardson, Esquire, Ernst & Young, LLP

Joseph A. Rieser, Jr., Partner, Reed, Smith, Shaw & McClay

Judith Rosenfeld. District resident

Art Salvetti, PEPCO

Kenneth Sparks, Executive Vice President, Federal City Council

Robert F. Uttenweiler, Executive Director, Greater Washington Society of CPAs

Jay Young, President, D.C. Technology Council, Inc.

MISSION STATEMENT OF THE OFFICE OF TAX AND REVENUE

The purpose of the Office of Tax and Revenue is to collect the proper amount of tax due to the District of Columbia and correctly account for all revenues while minimizing the burden on taxpayers and cost to the government.

PRINCIPAL OFFICERS

Deputy Chief Financial Officer	Herbert Huff	(202) 442-6200
Director, Operations	Lee Monks	(202) 442-6200
Chief Assessor	James Vinson	(202) 442-6702
Chief Tax Counsel	Greg Matson	(202) 442-6500
Director, Compliance Administration	Yassie Hodges	(202) 442-6200
Director, Customer Service	Paulette Sewell-Gibson	(202) 442-6200
Director, Information Systems Administration	Coleta Brueck	(202) 442-6200
Director, Internal Audit and Internal Security	Wilma Matthias	(202) 442-6433
Recorder of Deeds	William Riley	(202) 727-5374
Director, Returns Processing Administration	Richard Sella	(202) 442-6300
Director, Revenue Accounting Administration	Michael Covington	(202) 442-6451
Director, Tax and Economic Policy	Julia Friedman	(202) 442-6420

KEY TELEPHONE NUMBERS

Office of Tax and Revenue	(202) 442-6200
Stella Hodge, Problem Resolution Officer	(202) 442-6348
Grace Eng, Appeals Hearing Officer	(202) 442-6945
Customer Service Assistance	(202) 727-4TAX
Tax Fraud Hotline (to report suspected tax fraud or abuse	1-800-380-3495
such as failure to file tax returns, fraudulent returns	
or tax evasion)	

INTRODUCTION

Guided by our commitment to be good stewards of taxpayer funds and provide the citizens of the District of Columbia a tax administration system second to none, the Office of Tax and Revenue (OTR) took significant steps in Fiscal Year (FY) 1999 to improve tax administration services. Herein we report to the District's taxpayers and government leaders the accomplishments of the past year in assuring timely, accurate taxpayer assistance, tax system integrity and organizational accountability.

The Office of Tax and Revenue has established an organizational emphasis on addressing operational and systemic problems that have plagued the District's tax administration for many years. We fully expect our stakeholders to evaluate us in terms of results achieved at all levels in the organization. From the development of a Customer Service Administration to the launch of an Internal Audit/Internal Security program ensuring employee and operational integrity, we have made measurable progress in meeting our goal of improved service to taxpayers. We encourage all District taxpayers to let us know how we can serve them better as we implement our long-term plan to provide the top quality tax administration that District taxpayers expect and deserve. We can be reached by telephone at 202-442-6200.

BUSINESS PRINCIPLES

Customer Service Must Come First

The premise of our tax system is that most people will meet their tax obligations if they are provided with the necessary information. Our goals are to provide first-rate customer service, a proactive outreach program that provides taxpayers information regarding their tax liabilities, and easy access to data when needed. To accomplish this, we will provide taxpayers with clear, timely information on their tax obligations, will give taxpayers multiple ways to file their returns and pay taxes due, and will provide expedient resolution of account matters.

The District's Revenue Stream Must Be Protected and Enhanced

Assuring voluntary compliance with the District of Columbia's tax laws requires that taxpayers have confidence that everyone is paying their fair share. Finding the most effective, least costly way to ensure that taxpayers file returns, submit accurate information, and pay the correct amount of tax, is crucial to protecting the District of Columbia's tax revenue stream. The Office of Tax and Revenue has made progress in encouraging voluntary compliance, identifying instances of non-compliance – such as failure to file, report assessments accurately, or pay liabilities timely – and using appropriate enforcement action when necessary. The result has been a significant increase in taxes paid, providing the revenues required to reduce the tax burden, improve the City's infrastructure, and meet the operating costs of providing public services.

We Must Bring Financial Integrity and Accountability to Tax Administration in the District

A fundamental prerequisite of any tax administration system is the proper recording and accounting for tax liabilities and payments. Timely deposit of remittances, correct posting of taxpayer accounts, and diligent maintenance of the District's overall revenue accounts are essential to financing the city's operations. Also, to warrant public confidence in the tax system, it is critical that the Office of Tax and Revenue exhibit a high level of personal and organizational integrity.

Message from the Chief Financial Officer

Fiscal Year 1999 was another milestone in the City's journey toward reestablishing control over City programs and finances. For the third consecutive year, the City's financial books and records received an unqualified opinion from an independent auditing firm. For the third consecutive year, the City has posted a balanced budget with a financial surplus. These successes served as the underpinning for an unprecedented tax cut enacted in the Tax Parity Act of 1999 and for an upgraded bond rating which has reduced D.C.'s borrowing costs significantly.

Proper and prudent management of City resources has been the key to our improved financial position. We need to build on these successes so that further progress can be made. Gaining and keeping the trust of District of Columbia taxpayers is critical to this effort. Taxpayers need to know that they can get swift and accurate resolution of their tax issues. They also need to know that those who fail to meet their tax obligations will be held accountable. The Office of Tax and Revenue (OTR) has been addressing these issues. If all taxpayers pay their fair share, the overall tax burden on each can be lower.

I am pleased with the gains made this year by OTR, resulting in more accurate and more timely taxpayer information and allowing for the recovery of tax dollars due the City. You should expect further improvements as OTR's computer systems and tax files are modernized and the skills of employees are enhanced through an aggressive program of training and professional education.

Our goal is to be a top quality organization providing state-of-the-art services to the District of Columbia's citizens and taxpayers.

Natwar M. Gandhi Chief Financial Officer

Message from the Deputy Chief Financial Officer for Tax and Revenue

As Fiscal Year 1999 closes, the Office of Tax and Revenue is moving closer to its objective of being a national model for effective and efficient tax administration. Our aim is to provide District of Columbia taxpayers the information and services needed to comply with our tax laws at the least cost to the City. As stewards of the citizens' tax dollars, we strive to ensure that all funds in our care are properly accounted for, that all OTR employees are held to the highest standard of integrity, and that complying with the tax laws is made as easy as possible.

I am pleased to report the following key accomplishments during FY 1999:

New Home. OTR moved to a new facility – 941 North Capitol Street, N.E. – that provides a state-of-the-art, one-stop Customer Service Center and other space consistent with efficient and secure tax administration operations.

New Criminal Investigation Programs. A new Criminal Investigations tax unit has investigated over 20 cases of suspected tax fraud, resulting in 16 referrals to the Office of Corporation Counsel for prosecution.

Payment by Credit Card Program. New legislation and operating programs now permit tax-payers to pay their past due income taxes by credit card, using a toll-free number available seven-days-a-week, 24-hours-a-day. After the taxpayer completes the transaction directly with the credit card processing vendor, OTR receives and applies the funds immediately to the taxpayer's account. Depending on the success of this program, it might be expanded by next year's filing season to allow taxpayers to pay their current 1999 income taxes.

Expanded Electronic Information Exchange. During FY 1999, over 10,000 taxpayers filed electronic returns, quadrupling FY 1998's number, reducing operating costs, and facilitating faster refunds. Tax forms and other tax information are now available on the Internet.

Year 2000 (Y2K) Compliance. All OTR computer systems have been certified as Y2K compliant.

New Integrated Tax System. OTR, in partnership with Andersen Consulting LLP, began a multi-year replacement and enhancement of OTR computer tax administration systems. Toward the end of FY 2000, business taxes will be the first to migrate to the new system. The new Integrated Tax System will provide more accurate and faster information with which to assist taxpayers and manage OTR tax programs.

Improved Operating Programs. All key operating programs met or exceeded their 1999 program goals, exceeding last year's levels of customers assisted, delinquent tax collected or assessed, and returns timely processed.

In this year's report, we are incorporating an expanded appendix section. In addition to information of general interest or relevance to tax administration, we have also included a **Report on the Economy and Tax System of the District of Columbia**. This report contains statistical information and observations regarding economic and demographic trends in the city. Prepared by OTR's Office of Tax and Economic Policy, under the guidance of Dr. Julia Friedman, director, it is a first step toward providing a common information database that policy makers and analysts can use to discern trends of consequence.

The Office of Tax and Revenue is dedicated to providing top quality, efficient tax administration services through continuous improvement to our programs. We welcome your ideas and observations. You can reach us through the Internet on <u>cfo.washingtondc.gov</u>, or call our Director of Communications, at 202-442-6483.

Herbert Huff
Deputy Chief Financial Officer
for Tax and Revenue

Providing Assistance to Taxpayers

New, One-Stop Customer Service Center

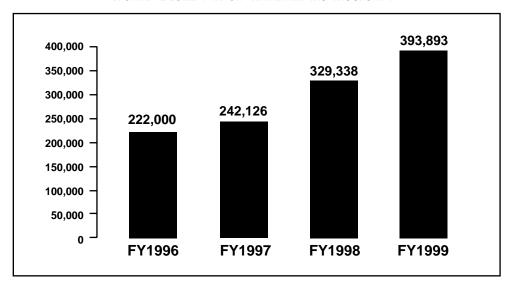
In January 1999, OTR moved its operations from 441 4th Street N.W. to 941 North Capitol Street, N.E. The new location is specifically designed for tax administration operations in a manner that makes it easier for taxpayers to get assistance in person, should they choose to do so, and, at the same time, ensures greater security of tax information and tax receipts. Additionally, OTR is now co-located with the Office of Consumer and Regulatory Affairs, allowing individuals to go to a single site to resolve both licensing and tax matters.

The Customer Service Center is one of the key features of the newly located Office of Tax and Revenue. Instead of requiring taxpayers to contact different sources for information about various taxes, OTR has consolidated three separate service centers into a one-stop center where taxpayers can receive information about business, individual, real property, and other taxes. Customer service staff have been cross-trained, enabling them to answer questions on everything from refund status, account status, payment agreements, tax preparation, and business tax registration. A new system for managing lines during peak periods has been instituted to assist in the efficient flow of customers visiting the center.

Other features of the new center include 13 customer service windows, six public access terminals, and four hearing rooms if a taxpayer needs to consult with a customer service representative regarding more complex tax issues. Additionally, OTR has introduced an administrative tax appeals process and an expanded electronic filing program.

Improved Productivity

Better office layout, new equipment and improved training have allowed OTR to serve more taxpayers without an increase in the number of customer service staff.



TOTAL NUMBER OF TAXPAYERS ASSISTED

Problem Resolution Office

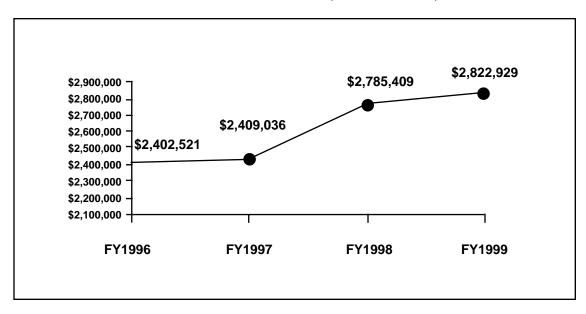
OTR established a Problem Resolution Office to aid taxpayers that, through regular channels, have been unable to get their problems satisfactorily resolved within a reasonable amount of time. Independent from other OTR functions, the Problem Resolution Office provides a means for getting timely closure on a tax-related question or matter. In the first year of operations, the Problem Resolution Office has helped 431 taxpayers with issues that would have not been previously resolved.

Tax Appeals Office

The mission of the newly established Office of Tax Appeals is to provide District taxpayers an opportunity to resolve audit or collection action disputes through an independent, administrative appeals process rather than through litigation. Taxpayers that do not agree with an audit or collection determination may submit a written protest, and a hearing will be arranged for a discussion of the disputed issues. Within 30 days of the conclusion of the hearing, the Office of Tax Appeals will issue a decision either ordering the Audit or Collection Division to grant the relief the taxpayer was seeking or affirming the examination or collection action.

Building Compliance with the Tax Law

The Compliance Administration's primary mission is to ensure voluntary taxpayer compliance with District tax laws and, when taxpayers fail to comply voluntarily, to enforce compliance through the powers of government. That responsibility is accomplished through a variety of efforts involving both educational and outreach programs and through enforcement programs. Along with improved economic conditions, these programs have been prime contributors to rising D.C. tax collection revenues. By the end of FY 1999, the District of Columbia had posted three years of increasing tax revenues, improving total tax collections by \$412 million over the FY 1996 baseline.



TOTAL TAX COLLECTIONS (IN THOUSANDS)

Education/Outreach

An informed taxpayer that understands his or her tax obligations is more likely to comply with District tax laws. The Compliance Administration has participated in a variety of outreach and educational efforts to increase public understanding of tax filing and payment obligations. For example, Compliance issues a brochure explaining the collection process to delinquent taxpayers, assisting them in understanding their rights and responsibilities. This brochure is mailed to all taxpayers receiving delinquency notices from OTR and explains various options available to them including their appeal rights. In addition, Compliance personnel assisted in the design and development of agency appeal and problem resolution processes instituted in FY 1999 that pro-

vide taxpayers and employees with information on the independent Appeals and Problem Resolution Programs.

Compliance employees participate in a number of local outreach events designed to provide current information on District tax laws and regulations to taxpayers and tax practitioners alike. In addition, Compliance initiated a project to review categories of tax returns that are more likely to contain errors. Rather than immediately initiating an audit, this project advises taxpayers and tax preparers of the nature of the error and provides information on filing a correct return.

Enforcement Programs

The Compliance organization is made up of four components: Audit, Collection, Criminal Investigations and Compliance Research. Although each of these components works their own inventory of cases, they also collaborate on initiatives and refer cases internally when joint action may be required.

1. Audit

Audit's primary mission is to ensure that taxpayers report on their returns the correct amount of tax due to the District. A primary method of doing this is to work with businesses and the tax community to ensure a clear and common understanding of the law. Another approach is to examine taxpayer records in instances where taxpayer error is suspected. The Compliance organization strives to identify and audit only those returns with the highest probability of

\$70,000,000 -\$60,000,000 -\$50,000,000 -\$40,000,000 -\$30,000,000 -\$20,000,000 -\$10,000,000 -\$50,000,000 -\$10,000,000 -\$50,000,000 -\$10,000,000 -\$50,000 -\$50,

AUDIT ASSESSMENTS

change. Audit also must ensure delivery of a balanced program, including coverage of all categories of returns filed in the District. During FY 1999, OTR began to change the balance of the Audit program, increasing coverage of business returns. As a result of the increased business emphasis and other management initiatives, Audit increased tax assessments from \$42,158,822 in FY1998 to \$63,103,010 in FY 1999, an increase of 50%. These FY 1999 results include certain large case closures that may not occur in future years.

FY1997

FY1998

FY1999

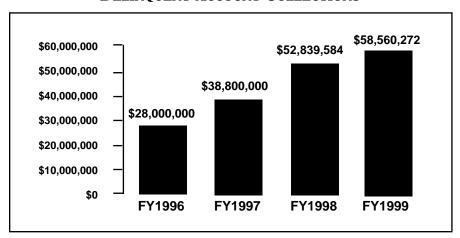
FY1996

In FY 1999, Audit began a special initiative to address non-filing of sales and use tax returns by small businesses. To determine the extent of the problem, Audit initiated a **Neighborhood Business Compliance Check** program. Research on 550 businesses chosen from four distinct neighborhoods indicated a potential non-registration rate of 35% and a non-filing rate of 50%. A number of businesses were selected for in-depth audits. Preliminary results have reinforced initial perceptions. A number of businesses have acknowledged their failure to file District sales tax returns and have subsequently hired accountants to help them prepare past due returns. One business had not filed returns for over three years, accumulating a total deficiency projected to be over \$350,000.

2. Collection

Collection's mission is to ensure that delinquent taxes are collected and that delinquent returns are secured. As a result of better employee training and improved collection techniques, delinquent accounts collections continue to climb. Approximately \$58.6 million was collected in FY 1999, an increase of 10% over the prior year's \$52.8 million.

DELINQUENT ACCOUNT COLLECTIONS



The Chief Financial Officer and the District of Columbia Financial Responsibility and Management Assistance Authority approved a new **Discovery Contract** in late September 1999. This contract, with a private vendor experienced in identifying non-filers, will assist OTR in detecting non-filers and in collecting past due delinquent taxes. These taxes may have gone unpaid for a variety of reasons, including an inability to locate the taxpayer and/or assets from which collection could be made. This contract should result in additional revenues for the District and improved future compliance by taxpayers.

The Collection organization took the lead in developing the newly implemented **Credit Card** payment option, which gives individual taxpayers the opportunity to pay delinquent tax bills with a credit card. This option was implemented to simplify the payment of taxes by giving the taxpayer an alternative means of payment. When the taxpayer receives a bill, they can dial a toll-free number, enter the access code for the District and then simply follow instruc-

tions. Within a matter of minutes, the transaction is completed and the taxpayer is provided a confirmation of the payment. Beginning in January 2000, this payment option is being extended to timely-filed individual income tax returns with a balance due.

OTR is also using the Internet as a tax administration tool. Over \$800,000 was collected in FY 1999 from taxpayers after they were notified of OTR's intent to list their names as delinquent taxpayers on the Internet or after their names were actually posted on this Internet listing. In addition, after seeing names on the Internet site, a number of individuals volunteered information on taxpayers OTR had been unable to locate.

3. Criminal Investigations

The recruitment of a new Chief of Criminal Investigations (CI), who came to OTR in FY 1999 with extensive criminal tax investigation experience, has contributed to building a viable and aggressive criminal enforcement program. Over twenty criminal tax cases were initiated in FY 1999. Sixteen cases that were referred to the Corporation Counsel for recommended prosecution received widespread attention throughout the District. Cases involving the filing of fraudulent Schedule H's, refund schemes by employees of OTR, and the preparation and filing of false returns were all developed and prosecuted. To assist in the identification and referral of cases with fraud potential, the CI function has also initiated fraud awareness training for all OTR employees engaged in taxpayer contact. A number of new cases are currently being worked, and investigators plan to step up the review of questionable returns received during the filing period.

4. Compliance Research Unit (CRU)

Previously named the Special Projects Staff, this unit has primary responsibility for the development of all alternative-filing programs within the District. **Electronic Filing**, or ELF, has been a major success story for OTR and taxpayers in FY 1999 with the receipt of 10,776 electronically-filed returns, an increase of over 300% from the prior year's 2,683. ELF is a primary component of OTR's strategy to make the filing of returns and payment of taxes easier for District taxpayers.

Another component of that strategy is the **Tele-file Program**. Tele-file, which allows individual taxpayers to file simple tax returns by telephone, will be available to District taxpayers in January 2000. As the success and acceptance of the program builds, Tele-file will be expanded to include more complex individual returns and business returns as well.

In making the transition to a true research unit, the CRU has acquired sophisticated software designed to provide improved matching of federal and local data. This software will improve the ability of OTR to identify audit and CI casework and will enhance employee productivity through automated audit programs.

Assessing and Collecting Real Property Tax

The mission of the **Real Property Tax Administration (RPTA)** is to administer the real property assessment and tax laws of the District of Columbia. The major divisions are the Assessment Division, the Assessment Services Division and the Office of the Recorder of Deeds. RPTA collects over 30% of the City's total tax revenue, including many fees and fines administered by other District agencies.

The **Assessment Division's** mission is to assess all real property for ad valorem tax purposes, conduct assessment appeals, maintain the assessment roll and parcel maps, and administer the real property tax credit and exemption laws.

The **Assessment Services Division's** mission is to semi-annually bill, collect, and account for real property tax, to conduct the annual real property tax sale, and to bill and collect other taxes as required by law.

The **Recorder of Deeds Division's** mission is to accept for recording all instruments as required, to be the official repository of the land records for the District of Columbia, and to collect all recordation tax, transfer tax and fees as required by law.

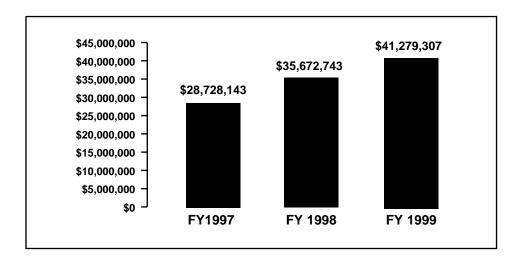
The Assessment Division

During FY 1999, the Assessment Division completed the revaluation of 56,000 parcels in the second phase of the triennial assessment of all D.C. properties (Triennial Group 2) and completed the new construction supplemental assessment. Also, more than 4,000 first level assessment appeals were conducted under the newly established three level appeal structure for real property tax assessments. This new process permits taxpayers to meet with assessors to resolve questions of fact related to their assessment. These interactions have reduced the number of cases referred to the Real Property Administrative Appeal Board, and subsequently to the courts, by ten fold, from an average of nearly 4,000 cases a year to around 400 cases.

This year has seen many improvements in the area of business processes. An automated parcel mapping/geographic information system (GIS), with linking of parcel data, aerial photography, and property photographs, was completed. A GIS product known as DC Property View was created for both private and public use and has been distributed to city agencies. The OTR Web site has also been upgraded to include the real property assessment roll information. Finally, the Computer Assisted Mass Appraisal System (CAMAS) upgrade is in progress and is scheduled for completion in FY 2000.

The Assessment Services Division

The Assessment Services Division conducted two major billings and the annual tax sale in FY 1999. From the point of tax sale notice through the actual sale itself, this process was successful in collecting over \$40 million in delinquent real property tax.



TAX SALE PROCESS COLLECTIONS

This division also collected fees for public space rental, special assessments, and solid waste assessments. The Department of Public Works' Solid Waste Assessments were included in the 1998 Tax Sale.

During FY 1999, an interim remote tax bill system was developed, and significant development on a new real property tax administration and online accounts receivable system was completed. This system, known as Tax 2000, is scheduled to be operational in FY 2000.

The Recorder of Deeds Division

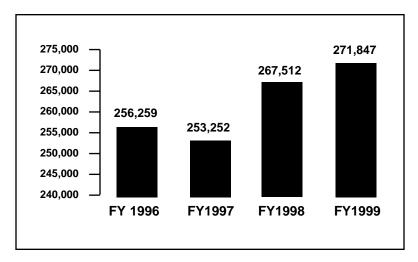
The Recorder of Deeds (ROD) recorded more that 140,000 documents and collected more than \$127 million in FY 1999. ROD also undertook, and completed by November 1999, major infrastructure improvements to its building. Additionally, a complete, state-of-the-art land records imaging and accounting system, named ROD 2000, was developed and was installed. Training continues, and the system will be operational in December 1999. In FY 2000, conversion of historic data back to 1973 will be completed and Internet access will be available to users of this information. As the end of the fiscal year approaches, the automation and infrastructure repair projects are substantially complete.

Processing Returns and Accounting for Tax Revenue

It is the responsibility of the Returns Processing Administration to receive tax returns and ensure that all taxpayer accounts are properly posted with information from those returns so that refunds can be made and bills issued.

During FY 1999, 159,803 individual income tax refunds with a value of \$77 million were issued within our program goal of 15 days. Another goal was to ensure that all tax dollars received and processed by OTR (as opposed to lock-box operations) were deposited within 24 hours of receipt. This was accomplished, with over \$400 million dollars deposited in the bank within the 24-hour time frame.

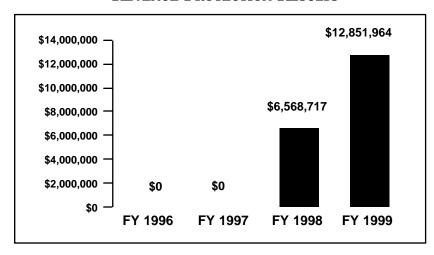
INDIVIDUAL INCOME TAX RETURNS FILED



Revenue Protection

Timely processing is important, but it is also important to ensure that only those amounts due taxpayers are refunded to them and that all returns are accurate before data is changed in a taxpayer's account. In FY 1998, OTR initiated screening programs to identify questionable items on returns and make necessary adjustments or referrals to our Criminal Tax Investigations organization. During FY 1999, nearly \$13 million dollars in questionable refunds were stopped during processing, 70,000 errors were corrected, and 26,000 return letters were sent to taxpayers because of incomplete initial returns.

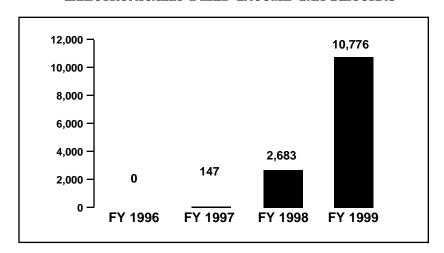




Processing Efficiency

Improvements in processing efficiency continue to be made. Quality control techniques have reduced input errors on returns processed by OTR to 2%. OTR now processes about 40% of all returns in-house. In FY 1996, only 10% were processed in-house, the remainder being processed by a third party processor. OTR is working to expand filing options for taxpayers. During FY 1999, the number of taxpayers taking advantage of electronic filing increased four-fold. Electronic filing cuts OTR processing costs and reduces errors, both those committed by taxpayers and those introduced during processing. During the FY 2000 filing season, we will be offering taxpayers an opportunity to file by telephone as well as electronically.





Returns processing is also responsible for most notices sent to taxpayers. During FY 1999, special emphasis was placed on redesigning notices to make them customer friendly and more focused on payment issue resolution.

Ensuring Individual and Program Integrity

Internal Audit and Internal Security

Ensuring that OTR's staff and programs meet the highest standards of integrity is key to maintaining public confidence in the tax system. The Internal Audit and Internal Security Administration (IAIS) is responsible for this mission. The Internal Audit Division continued to recommend changes to the various Administrations to improve internal controls, and the Internal Security Division continued to provide assurance that we employ people with the highest ethical standards.

During the year, Internal Audit assisted OTR management and the Office of the Chief Financial Officer in improving operations by completing 15 reviews. In addition, Internal Audit currently has 12 reviews in process. Within OTR, Internal Audit conducted reviews of the FY 1999 filing season, estimated tax processing and review procedures, and selected cash management processes. Additionally, OTR's Internal Audit organization assisted other City organizations in selected operational reviews.

Finally, Internal Audit provided OTR-wide direction to the development of policies and procedures. This effort ensured that OTR offices had the necessary documented procedures and controls to guide their daily operations.

Revenue Accounting Administration

The Revenue Accounting Administration (RAA) provides leadership and initiatives related to achieving a clean opinion on OTR's annual Independent Audit of tax receipts and tax receivables. The functions of RAA are:

- To account for tax revenues timely and accurately in accordance with District policies and procedures;
- To provide financial reporting of tax revenues in accordance with generally accepted accounting principles and the Government Accounting Standards Board; and,
- To provide Financial Systems Analysis in support of existing systems, and development, implementation and user training on new systems.

During FY 1999, RAA made significant contributions towards the achievement of OTR's goal of increased financial integrity and greater accountability. Specifically, the organization:

- Developed a database to monitor Business and Individual Income tax receivables;
- Conducted an independent verification of taxpayer accounts that provided Audit and Collection case referrals to Compliance Operations Administration;
- Implemented a more effective methodology for data purification of Business and Individual Income tax receivables using an attributes-based approach for error identification;
- Established a methodology for recognizing tax receivables that improves OTR's ability to report tax revenues for financial reporting purposes in accordance with generally accepted accounting principles;
- Delivered training to systems users in Clean Opinion Workshops conducted for all Administrations that was focused on improving internal controls using lessons learned from the FY 1998 closing;
- Streamlined cash transfer procedures to ensure timely reconciliation and transfer of tax revenues to both the Washington Convention Center Authority and the Highway Trust Fund;
- Implemented new procedures to ensure timely follow-up and resolution of cash differences between the District's general ledger and reported bank balances;
- Organized and managed a team to ensure timely payroll processing during the transition to the new personnel management system; and
- Provided Change Management support to all Administrations in transition to the new, Y2K-compliant general ledger.

Maintaining and Improving the Legal Structure of the Tax System

Office of the Chief Counsel

During FY 1999, OTR's Office of Chief Counsel focused on improving the structure and content of the District of Columbia Tax Code and advancing the compliance and real property programs by developing legal positions and legislation supporting the interests of the District. In addition, the Chief Counsel represented OTR before the Office of Tax Appeals and worked with the Office of Corporation Counsel to defend OTR's interpretations of the tax laws. Specific accomplishments include:

- Completing a proposal to streamline and simplify the D.C. Tax Code. These revisions, to be considered by policy officials as the Tax Clarity Act of 1999, use best practices found in other jurisdictions and would repeal over 100 sections from the present tax code and replace them with 55 new sections organized by subject in 4 new chapters.
- Working with the City Council and the Mayor's office to draft provisions of the Tax Parity Act, including creation of the Arena fee filing threshold and elimination of a net operating loss reporting requirement which mandates that the loss appear on that same year's federal return to be eligible for deduction in the District.
- Working with the Office of the Corporation Counsel on litigation, including a key case
 upholding the District's right to collect sales tax from independent contractors who provide services to tax exempt international organizations. This decision promises to
 increase District revenue significantly by requiring all such organizations to collect sales
 tax on cafeteria sales administered by a third party contractor.
- Developing new procedures to streamline the administrative appeals process for tax disputes. These procedures and their regulations guarantee a simple, straightforward administrative tribunal that is available to resolve disputes on an independent basis. During FY 1999, the first year of operation, the Appeals Officer closed 56 tax appeals requested by taxpayers.
- Developing proposals to expand the District's tax base.
- Developing a referral process that resulted in a significant increase in criminal referrals and subsequent prosecutions. The Office of Chief Counsel also assists the Office of Corporation Counsel in prosecuting cases. This effort will raise additional funds for the Office of Tax and Revenue.

Providing Tax and Economic Policy Support

The Office of Tax and Economic Policy (TEP) is charged with providing analytical support to policy-making processes in the District of Columbia. This Office prepares the revenue estimates used in the formulation of the D.C. budget, analyzes the revenue impact of proposed legislation, and supplies data and estimates on economic and demographic trends in the City. The following are some of the major issues undertaken by TEP in FY 1999:

- Tax Parity Act of 1999 TEP provided on-line analytical support to the Mayor and the
 City Council during deliberations on the Tax Parity Act of 1999, ground-breaking legislation that will significantly reduce the tax burden on both individual and business taxpayers in the City. TEP provided information on the impact on tax revenues of proposed
 changes and suggested legislative language in some cases.
- Tax Increment Financing (TIF) During FY 1999, TEP implemented provisions of a law passed in June 1998 providing for tax incentive financing. TIF is a cooperative endeavor between the City and businesses under which the City dedicates a portion of its tax base growth to finance economic development projects initiated by private businesses. Under D.C. law, up to \$300 million can be made available for such TIF projects. During FY 1999, TEP developed application procedures for projects and the policies and procedures by which projects will be evaluated. So far, three TIF proposals have been received, and two have been pre-certified as meeting screening criteria for final negotiation with policy officials.
- Data Warehouse Both hardware and software were acquired to support an OTR data warehouse to be administered by TEP. This warehouse will store tax account information as well as economic and demographic data in a form available for analysis. In the past detailed information captured electronically from tax returns was deleted after a period of time because of a lack of storage capability or the lack of software capability to manipulate such information had it been kept. With this information warehoused, TEP will be able to do much more accurate estimates of the impact of proposed changes to the tax law and will better support OTR operations with detailed information on taxpayer characteristics.
- *Tax Models* A series of tax models were acquired from vendors in late FY 1999, and the models will be installed in FY 2000. Once fully operational, these models will give OTR the capability to produce much more accurate revenue estimates for all major tax types as well as the capability to do on-line "what-if" scenarios to support policymaking in the tax and economic development arenas.
- Information Report on the Economy and the Tax System of the District of Columbia Work on this report, the first comprehensive analysis of the interrelationship between economic and demographic trends and D.C. taxes, was completed during FY 1999. This

report will provide baseline data that can be used by those with a substantive interest in D.C. economic trends and their implications for tax and other social policy questions. The complete report is contained in this document as appendix 4.

Staff Working Behind the Scenes

The Office of Tax and Revenue staff includes a number of functional areas, some working behind the scenes to make line operations more efficient and effective. The following areas are significantly expanding in order to improve OTR's overall performance (Appendix 1 contains a chart outlining OTR's structure and areas of operation).

The Integrated Tax System

The long-term solution to better customer service, more accurate taxpayer accounts, and more efficient work processes is a complete replacement and redesign of OTR's master file system and integration of free standing operational systems. The Integrated Tax System (ITS) will be a comprehensive, image-based tax administration system. The core system will integrate information from three distinct tax systems – business, income, and real property. A central database of complete taxpayer information and current account status will be available to authorized employees.

ITS will be implemented in modules, with the Business Tax module due for implementation late 2000. All systems will be implemented by January 2002.

OTR has taken the following steps in FY 1999 toward establishing an ITS:

- Awarded a 5-year contract in November 1998.
- Completed the OTR "AS IS" and "TO BE" core business processes models.
- Completed an organizational redesign model.
- Installed and certified the BASE Tax Administration System (TAS) application. TAS is a tax processing application developed by the ITS contractor and has been implemented in more than 16 jurisdictions.
- Completed a Pilot Design and test of the OTR Data Warehouse. This data warehouse will provide universally accessible data to the OTR Compliance and TEPA administrations.
- Implemented a Change Management Program to demonstrate TAS system functionality to all OTR employees. Included in this program was a demonstration of the "Virtual ITS Office".

Data Systems Administration

The mission of Data Systems Administration (DSA) is to provide the Office of Tax and Revenue with information technology resources and services of the highest quality, helping define, advance, and support the organization's standard of excellence in tax administration.

Key accomplishments for FY 1999 included:

- Maintained Y2K schedule, making systems compliant.
- Developed correspondence control system and installed help desk software to better serve customers.
- Developed direct deposit software and credit card payment system to support the filing season.
- Upgraded Internet access and information, as well as the network infrastructure.
- Installed configuration management software.
- Moved 550 OTR employees, systems, file servers, and telephones while maintaining network integrity.
- Developed disaster recovery plan.
- Developed position descriptions for key positions, conducted three all-DSA employee meetings, and began the Change Management process.

Communications

The Office of Tax and Revenue is making great improvements in its communications both externally with the public and internally with employees. This year, OTR placed an emphasis on making the tax-filing season less burdensome and more taxpayer friendly. To that end, the agency expanded the publication of its *Tax Practitioner News*, providing news and advice to the tax practitioner community on a now-quarterly basis. In addition, several taxpayer outreach programs were held, and OTR representatives appeared on live newscasts to answer taxpayer call-in questions.

With the amount of change inherent in creating a premier customer service agency, the importance of informing and enlisting the effort of all employees can not be underestimated. As a result, OTR continued to expand and improve upon its internal newsletter, *OTR Link*, in order to update employees on the agency's progress and inform them of the latest initiatives. Employee

outreach also included several town hall meetings and brown bag lunches held with the agency's management.

Training

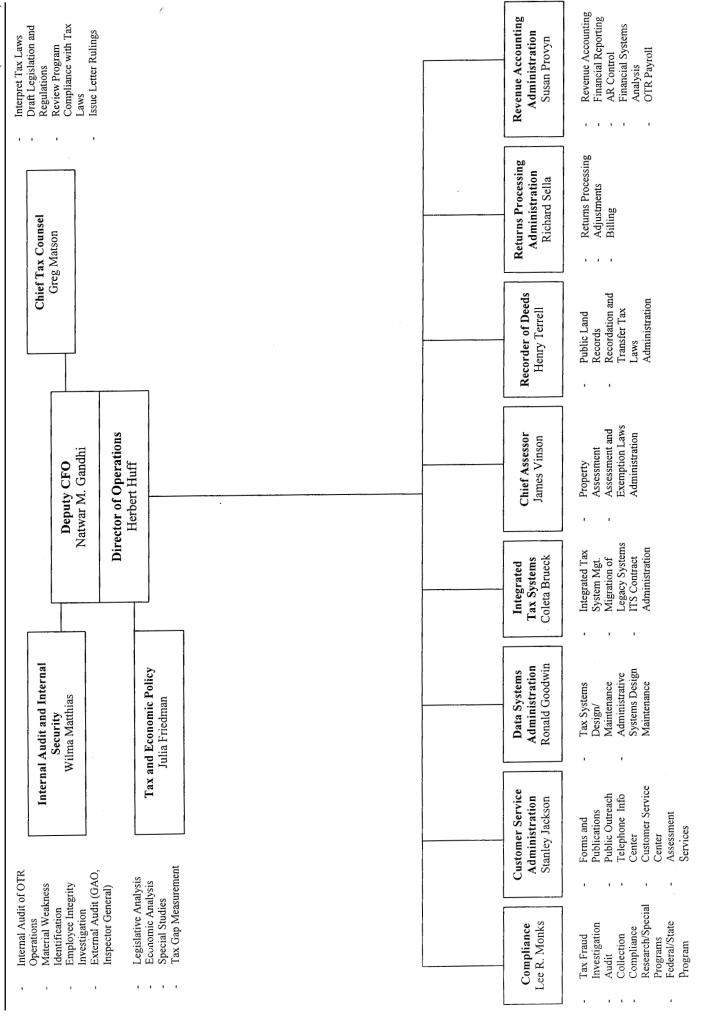
"Helping employees help themselves and our customers, the taxpayers of the District of Columbia," is among the many mottoes the Training Administration has adopted as it goes about the business of education. A new department for the Office of Tax and Revenue, Training has been actively involved in preparing OTR employees to provide quality customer service by enhancing their overall growth, knowledge, and professional skills. In addition to customer service classes, the OTR workforce has been exposed to:

- The Nexus School, where legal principles, investigative tools, and audit techniques were reviewed;
- Bankruptcy training, where chapter codes and case filings were examined;
- Management development, where employees delved into leadership principles, team building, verbal and non-verbal communication techniques, and empowerment; and
- Seminars and workshops in effective communications, proper tax preparation, current assessment principles, and analytical thinking.

OFFICE OF TAX AND REVENUE ORGANIZATION CHART

(FY 1999)

APPENDIX 1



SUMMARY OF MAJOR TAXES IN THE DISTRICT OF COLUMBIA

APPENDIX 2

FY 1999 REVENUE		\$597,566,000	\$73,928,000	\$8,056,000	\$541,573,000 a	\$4,821,000	\$17,107,000	<\$26,000>
FY 1998 REVENUE		\$616,935,000	\$ 68,475,000	\$10,030,000	\$524,878,000 a	\$4,702,000	\$17,592,000	\$5,369,000 a
FY 1997 REVENUE		\$617,694,000	\$ 60,392,000	\$ 9,513,000	\$482,354,000 a	\$ 5,460,000	\$ 18,946,000	\$ 3,806,000 a
RATE		The District's Real Property Tax Year is October 1 through September 30. Property Class Tax Per \$100 of Value Class II \$1.54 Class III \$1.54 Class III \$1.85 Class IV \$2.15 Class IV \$5.00	\$3.40 per \$100 of assessed value	Various rates for the following: Vault, Sidewalk (Enclosed and Unenclosed), Sidewalk Surface, and Fuel Oil Tank	A five-tier rate structure is presently in effect: 5.75% General rate for tangible personal property and selected services, 8% Liquor sold for off the premises consumption 10% Restaurant meals, liquor for consumption on the premises, rental vehicles in commercial lots 12% Parking motor vehicles in commercial lots 14.5% Transient accommodations Note: The following portions of the sales tax go to the Convention Center Fund: 1% of sales tax from restaurant meal etc., and 4.45% of transient accommodations.	Beer – \$2.79 per 31 gallon barrel Light wine <15% alcohol – 30¢ per gal Heavy wine >14% alcohol – 40¢ per gal Champagne/sparkling wine – 45¢ per gal Spirits – \$1.50 per gallon	65¢ per package of twenty cigarettes	\$1.50 per occupied room per day Note: 40% of the revenue is dedicated to the Convention Center Fund. Tax was discontinued, effective October 1, 1998.
DESCRIPTION OF WHAT IS TAXED	L FUND TAXES	All real property, unless expressly exempted, is subject to the real property tax and, beginning in TY 98, is assessed triennially at 100% of market value. The District of Columbia uses four classifications of property. Class I – improved residential real property that is owner-occupied; Class II – improved residential real property that is rental; Class III – hotels and motels; Class IV – real property which is not Class I, II, or III property; and Class V – unimproved property (vacant land). Vacant property which abuts and has common ownership with a classified property is classified the same as that property which it abuts. D.C. Code Citation: Title 47, Chapter 7 - 14.	All tangible property, except inventories, used or available for use in a trade or business. D.C. Code Citation: Title 47, Chapter 15 - 17.	Commercial use of publicly owned property between the property line and the street. D.C. Code Citation: Title 7, Chapter 10.	All tangible personal property and certain selected services, sold or rented to businesses or individuals at retail in the District. Groceries, prescription and non-prescription drugs, and residential utility services are among those items exempt from the sales tax. The use tax is imposed at the same rates sales tax rate on purchases made outside the District and then brought into the District to be used, stored or consumed, providing that the purchaser has not paid the sales tax on the purchases to another jurisdiction. D.C. Code Citation: Title 47, Chapters 20 and 22.	Alcoholic beverages manufactured by a holder of a manufacturer's license and beverages brought into D.C. by the holder of a wholesaler's license. D.C. Code Citation: Title 25, Chapter 1.	The sale or possession of cigarettes in the District. Cigarettes sold to the military and to Federal Government are exempt. D.C. Code Citation: Title 47, Chapter 24.	Each daily occupancy of a room in a hotel, motel, inn, or tourist camp. Does not apply to permanent residents. D.C. Code Citation: Title 47, Chapter 32.
TAX	PART A - GENERAL FUND TAXES	REAL PROPERTY TAX	PERSONAL PROPERTY TAX	PUBLIC SPACE RENTAL	SALES AND USE TAX	ALCOHOLIC BEVERAGE TAX	CIGARETTE TAX	HOTEL OCCUPANCY TAX

TAY	DESCRIPTION OF WHAT IS TAXED	RATE	FY 1997 REVENITE	FY 1998 REVENITE	FY 1999 REVENITE
MOTOR VEHICLE EXCISE TAX	Issuance of every original and subsequent certificate of title on motor vehicles and trailers. D.C. Code Citation: Title 40, Chapter 7.	Based on manufacturer's shipping weight 6% of fair market value – 3,499 lbs or less 7% of fair market value – 3,500 lbs or more	\$ 30,271,000	\$29,838,000	\$31,329,000
INDIVIDUAL INCOME TAX	The taxable income of an individual who is domiciled in the District at any time during the tax year, or who maintains an abode in the District for 183 or more days during the year. D.C. Code Citation: Title 47, Chapter 18.	Taxable Income Tax Rate First \$10,000 6.0% Over \$20,000 \$600 + 8.0% of not over \$20,000 excess over \$10,000 Over \$20,000 \$1,400 + 9.5% of	\$753,475,000	\$861,505,000	\$952,156,000
CORPORATE FRANCHISE TAX	Net income of corporations having nexus in the District. All corporations engaging in a trade, business or profession in the District of Columbia must register. D.C. Code Citation: Title 47, chapter 18.	The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surfax equal to 5 percent of the base rate.	\$144,563,000 a	\$170,029,000 a	\$163,699,000
U.B. FRANCHISE TAX	Net income of unincorporated businesses with gross receipts over \$12,000. A 30% salary allowance for owners and a \$5,000 exemption are deductible from net income to arrive at taxable income. A business is exempt if more than 80% of gross income is derived from personal services rendered by the members of the entity and capital is not a material income-producing factor. A trade, business, or professional organization which by law, customs, or ethics cannot be incorporated is exempt. D.C. Code Citation: Title 47, chapter 18.	The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surtax equal to 5 percent of the base rate.	\$ 38,942,000 a	\$45,767,000 a	\$53,896,000
PUBLIC UTILITY TAX	Gross receipts of gas, electric and local telephone companies. D.C. Code Citation: Title 47, Chapter 25.	10% of gross charges	\$141,901,000	\$141,069,000	\$128,472,000
TOLL TELE- COMMUNICATIONS TAX	Gross receipts of companies providing toll telecommunication service in the District. D.C. Code Citation: Title 47, Chapter 38.	10% of gross charges	\$ 52,994,000	\$56,732,000	\$51,874,000
INSURANCE PREMIUMS TAX	Gross insurance premiums received on risks in the District, less premiums received for reinsurance assumed, returned premiums and dividends paid to policy-holders. The tax is in lieu of all other taxes except real estate taxes and fees provided for by the District's insurance law. D.C. Code Citation: Title 35; Title 47, Chapter 26.	1.7% on gross premium receipts	\$ 42,625,000	\$37,096,000	\$26,944,000
ESTATE TAX	The estate of every decedent dying while a resident of the District, and on the estate of every nonresident decedent owning property having a taxable situs in the district at the time of his or her death. D.C. Code Citation: Title 47, Chapter 19.	Tax equals the amount of credit for state death taxes allowed on the Federal Estate Tax Return.	\$ 27,314,000	\$32,256,000	\$26,247,000
DEED RECORDATION TAX	The recording of all deeds to real estate in the District. The basis of the tax is the value of consideration given for the property. Where there is no consideration or where the consideration is nominal, the tax is imposed on the basis of the fair market value of the property. D.C. Code Citation: Title 45, Chapter 9.	1.1% on consideration or fair market value	\$ 30,821,000	\$53,863,000	\$70,398,000
DEED TRANSFER TAX	Each transfer of real property at the time the deed is submitted for recordation. The tax is based upon the consideration paid for the transfer. Where there is no consideration or where the amount is nominal, the basis of the transfer tax is the fair market value of the property conveyed. D.C. Code Citation: Title 45, Chapter 9.	1.1% of consideration or fair market value	\$27,162,000	\$42,597,000	\$47,001,000

TAX	DESCRIPTION OF WHAT IS TAXED	RATE	FY 1997 REVENITE	FY 1998 REVENITE	FY 1999 REVENITE
			TO VITA THE	TIEVELY OF	MEVEROLE
ECONOMIC INTEREST TAX	The economic interest transfer tax is triggered by two (2) elements. These elements are 1) 80% of the assets of a corporation consist of real property located in the District of Columbia; and 2) more than 50% of the controlling interest of the corporation is being transferred. The consideration is what is paid for the interest being transferred. If there is no tangible consideration, then the tax basis will be the assessed value of the property owned by the corporation.	2.2% of consideration or fair market value	\$ 10,081,000	\$11,166,000	\$3,687,000
	TOT	TOTAL GENERAL FUND TAXES:	\$2,490,036,000	\$2,731,848,000	\$2,798,728,000

a b

PART B - OTHER	PART B - OTHER SELECTED TAXES					
MOTOR VEHICI E	Every importer of motor vehicle fuels, including gasoline, diesel fuel,	20¢ per gallon		\$ 32,267,000	\$,000	\$,000
FUEL	gases and all combustible gases and liquids suitable for the generation of					
TAX	power for the propulsion of motor vehicles.					
	D.C. Code Citation: Title 47, Chapter 23.					
THE	The Arena Fee is required to be paid by any person or entity who at any	District Gross Receipts	Fee	\$ 9.582,000	\$10,904,000	\$11 585 000
ARENA	given point during their calendar year or fiscal year ending on June 15, is	For Preceding Fiscal Year			2000	200000000000000000000000000000000000000
FEE	subject to any of the following:	Less than \$200,000	\$25			
	1) D.C. corporation franchise tax;	\$200,001 to \$500,000	\$50			
	2) D.C. unincorporated business franchise tax; or	\$500,001 to \$1,000,000	\$100			
	3) The D.C. Unemployment Compensation Act, except employers who	\$1,000,001 to \$3,000,000	\$825			
	employ persons to provide personal or domestic services in a private	\$3,000,001 to \$10,000,000	\$2,500			
	home unless the employment is related to the employer's trade,	\$10,000,001 to \$15,000,000	\$5,000			
	occupation profession, enterprise, or vocation.	Over \$15,000,000	\$8,400			
	An entity granted exemption from D.C. comparation franchise tax or					
	unincorporated business franchise tax pursuant to Title II of the D C					
	Income and Franchise Tax Act of 1947, as amended, is not subject to the					
	fee, unless it has unrelated business income. An exempt entity with					
	unrelated business income shall pay an Arena Fee based upon annual D.C.					
	gross receipts associated with the unrelated business income for the					
-	preceding fiscal year.					
	D.C. Code Citation: Omnibus Budget Support Act of 1994, Title III,					
	Section 303. April 22, 1994					

Source of General Fund Revenue Amounts: D.C. Comprehensive Annual Financial Report, FY 1999, p. 65.

(a) Amount excludes transfers to the Convention Center Fund.

(b) Excludes revenue from the health care provider tax that was discontinued in 1996.

Prepared by the Tax and Economic Policy Administration, D.C. Office of Tax and Revenue.

DISTRICT OF COLUMBIA TAX FACTS

FISCAL YEARS 1997, 1998, and 1999

APPENDIX 3

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MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The District of Columbia is a single unit of government that must provide many of the same services typically provided by and shared between state and local levels of government in the fifty states. Typical local level revenue sources used by the District include the property tax, traffic fines, and a variety of other taxes and fees. D.C. taxes usually associated with state governments include the individual income tax, the general sales and use tax, motor vehicle license fees, business net income taxes and various excise taxes. Currently, the District levies 19 taxes and collects revenue from about 1,800 fees each year. With over \$3 billion generated by local taxes, our taxpayers are an important investor in this city.

The District's principal tax revenue producers are the individual income tax, property taxes, sales tax and gross receipts taxes. Individual income tax is the largest source of tax revenue for the District, providing 29.0 percent of the total own-source General Fund revenues for fiscal year 1998. Because the individual income tax is progressive, the rate of increase for income tax revenues is greater than the rate of increase in income subject to the tax. Personal income tax credits include taxes paid to another state, child or dependent care and the low income credit.

The real property tax is the second largest source of tax receipts for the District government, accounting for 20.8 percent of its total own-source General Fund revenues in fiscal year 1998. Several property tax relief options are available to eligible property owners. The most widely used is the Homestead Deduction Program. For owner-occupied residences of five units or less, the homestead program provides a \$30,000 deduction from the assessed value. The second most widely used, the circuit-breaker, is designed to ease real property tax burdens for District residents in need by rebating a portion of the tax through the individual income tax. Other property tax relief measures include: the Senior Citizen Homestead Tax Relief Program, which allows certain senior citizens a 50 percent reduction in property taxes; and an expanded property tax deferral program.

Although the District has features of a complete state/local revenue structure, it does not have the mix of economic activity of a typical state or city revenue base. Business and industry, which enhance the tax bases of most major cities and states, are largely lacking in the District.

Details concerning the various taxes used by the District are presented in this publication for the purpose of taxpayer education and to enhance citizens' awareness of their tax responsibilities.

Valerie Holt Chief Financial Officer

INTRODUCTION

Each year, the Tax and Economic Policy Administration of the Office of Tax and Revenue receives numerous requests from citizens, legislators and the general public for statistics relating to District tax collections, tax burdens and tax rates.

District of Columbia TAX FACTS presents a brief summary of information on the District's tax structure, tax rates, legal references and other comparative tax data. Tax rates used in this publication are those in effect as of January 1, 1999. More detailed information on these subjects may be obtained through requesting other publications of this Office, including: (1) A Comparison of Tax Rates and Burdens in the Washington Metropolitan Area, and (2) Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison. The publications can also be accessed at www.dccfo.com. These publications are prepared under the leadership of Julia Friedman, director of the Tax and Economic Policy Administration.

Questions or requests for copies of publications should be directed to: Office of Tax and Revenue, Tax and Economic Policy Administration, 941 North Capitol Street, N.E., Suite 860, Washington, D.C. 20002. Telephone (202) 442-6420.

Natwar M. Gandhi Deputy Chief Financial Officer Office of Tax and Revenue

PART I – D.C. TAX COLLECTIONS, FY 1997, FY 1998, and FY 1999

TABLE 1 and 2 GENERAL FUND D.C. TAX COLLECTIONS FOR FISCAL YEARS 1997, 1998, AND 1999

(In Thousands of Dollars on Accrual Basis)

Tax	FY 1997 Collections	FY 1998 Collections	FY 1999 Collections
Individual Income	\$ 753,475	\$ 861,505	\$ 952,156
Corporation Franchise	144,563	170,029	163,699
Unincorporated Business Franchise	38,942	45,767	53,896
Sales and Use ¹	482,354	525,087	541,573
Alcoholic Beverages	5,460	4,702	4,821
Cigarette	18,946	17,592	17,107
Motor Vehicle Excise	30,271	29,838	31,329
Hotel Occupancy	3,806	5,369	-26
Real Property	617,694	616,935	597,566
Public Space Rental	9,513	10,030	8,056
Personal Property	60,392	68,475	73,928
Public Utility	141,901	141,069	128,472
Toll Telecommunications	52,994	56,732	51,874
Insurance Premiums	42,625	37,096	26,944
Health Care Provider Fee	(8,278)	1,740	
Deed Recordation	30,821	53,863	70,398
Deed Transfer	27,162	42,597	47,001
Economic Interest Transfer	10,081	11,166	3,687
Estate	27,314	32,256	26,247
Total, Tax Revenue	\$ 2,490,036	\$ 2,731,848	\$2,798,728
Non-Tax Revenue	211,882	235,188	212,017
Other Sources ²	69,200	81,300	64,225
TOTAL, GENERAL FUND			
OWN SOURCE REVENUE	\$ 2,771,118	\$ 3,048,336	\$ 3,074,970

¹ Net of Convention Center transfer

² Includes Legalized gambling transfers

PART II - DISTRICT TAXES

ALCOHOLIC BEVERAGE TAXES

GENERAL LIABILITY:

The tax is levied on all alcoholic beverages manufactured by a holder of a manufacturer's license and on all beverages brought into the District by the holder of a wholesaler's license.

D.C. Code Citation: Title 25, Chapter 1.

PRESENT RATES: (January 1, 1999)

Beer – \$2.79 per 31 gallon barrel

Light wine (14% alcohol or less) – 30¢ per gallon Heavy wine (over 14% alcohol) – 40¢ per gallon Champagne and sparkling wine − 45¢ per gallon

Spirits – \$1.50 per gallon

REVENUE:

Fiscal Year	Collections
1997	\$ 5,460,000
1998	\$ 4,702,000
1999	\$ 4,821,000

COMPARATIVE DATA:

Metropolitan Area Alcoholic Beverage Tax Facts

Item	DC	MD	VA ¹
Beer (per barrel)	\$2.79	\$2.79	\$7.95
Spirits (per gallon)	1.50	1.50	20% of retail price
Wine (per gallon)			
14% or less alcohol	.30	.40	.40 ²
More than 14% alcohol	.40	.40	.40 ²
Sparkling wine (per gallon)			
14% or less alcohol	.45	.40	1.51 ²
More than 14% alcohol	.45	.40	1.51 ²

 $^{^1}$ Sales at ABC Stores are subject to the 4.5% sales tax rate in addition to the rate below. 2 Additionally, a state tax of 4 percent of the price charged is imposed on wine sold to persons other than licensees.

CIGARETTE TAX

GENERAL LIABILITY:

The cigarette tax is levied on the sale or possession of all cigarettes in the District. Cigarettes sold to the military and to Congress are exempt from the tax.

D.C. Code Citation: Title 47, Chapter 24.

PRESENT RATE: (January 1, 1999)

65¢ per package of twenty cigarettes (3.25¢ per cigarette).

REVENUE:

Fiscal Year	Collections
1997	\$ 18,946,000
1998	\$ 17,592,000
1999	\$ 17,107,000

COMPARATIVE DATA:

State	Tax Per Pack of 20 $^{\mathrm{1}}$	State	Tax Per Pack of 20 1
Alabama	\$.165	Missouri	.17
Alaska	1.00	Montana	.18
Arizona	.58	Nebraska	.34
Arkansas	.315	Nevada	.35
California	.87	New Hampshire	.37
Colorado	.20	New Jersey	.80
Connecticut	.50	New Mexico	.21
Delaware	.24	New York	.56
D.C.	.65	North Carolina	.05
Florida	.339	North Dakota	.44
Georgia	.12	Ohio	.24
Hawaii	1.00	Oklahoma	.23
Idaho	.28	Oregon	.68
Illinois	.58	Pennsylvania	.31
Indiana	.155	Rhode Island	.71
Iowa	.36	South Carolina	.07
Kansas	.24	South Dakota	.33
Kentucky	.03	Tennessee	.13
Louisiana	.20	Texas	.41
Maine	.74	Utah	.515
Maryland	.66	Vermont	.44
Massachusetts	.76	Virginia ²	.025
Michigan	.75	Washington	.825
Minnesota	.48	West Virginia	.17
Mississippi	.18	Wisconsin	.59
		Wyoming	.12

¹ Subject to sales tax except in the following states: Alaska, Colorado, Delaware, Hawaii, Maine, Missouri, Montana, Nebraska, New Hampshire, New Jersey, Oregon, Rhode Island, and Wyoming.

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² Additional local tax allowed.

HOTEL OCCUPANCY TAX

GENERAL LIABILITY:

The tax applies to each room occupancy in a hotel, motel, inn, or tourist camp each time a daily rate or less than a daily rate is charged for such occupancy.

Permanent residents (90 consecutive days or more) of a hotel are exempt. The tax does not apply to occupancy of a room by the United States government, the District of Columbia government, or certain members of the foreign diplomatic corps.

Forty percent of the hotel occupancy tax is dedicated to the Convention Center Fund, with the balance deposited to the General Fund.

D.C. Code Citation: Title 47, Chapter 32.

PRESENT RATE:

Hotel Occupancy Tax was discontinued, effective 10/1/98.

\$1.50 per occupied room per day

REVENUE:

Note: FY 1997 and FY 1998 net of transfer to Convention Center Fund

Fiscal Year	Collections
1997	\$ 3,806,000
1998	\$ 5,369,000
1999	(\$ 26,000)

INCOME TAXES

CORPORATION AND UNINCORPORATED BUSINESS FRANCHISE TAXES

GENERAL LIABILITY:

The corporation franchise tax is imposed on corporations carrying on a trade, business or profession in the District or receiving income from District sources. Effective July 1, 1981, financial institutions became subject to the corporation franchise tax. Prior to this date, these institutions were subject to a gross earning tax.

Whoever engages in a trade, business or profession in the District of Columbia must register. Failure to register may result in a fine of not more than \$500 and a civil penalty of \$50 for each and every separate day that such failure to register continues.

The tax on unincorporated businesses is imposed on businesses with gross receipts over \$12,000. A 30% salary allowance for owners and a \$5,000 exemption are deductible from net income to arrive at taxable income.

No person other than a corporation shall engage in or conduct a trade, business, or profession that is excluded from the imposition of the District of Columbia tax on unincorporated businesses and whose gross income for the calendar year is expected to exceed \$12,000, without first making application for a trade and business license. A person who fails to obtain a trade or business license may be fined not more than \$300 for each day that such failure continues.

Generally, persons exempt from filing an unincorporated business franchise tax return include trade, business, or professional organizations having a gross income not in excess of \$12,000 for the taxable year, and trade, business, or professional organizations which by law, customs, or ethics cannot be incorporated, such as doctors and lawyers.

D.C. Code Citation: Title 47, chapter 18.

PRESENT RATES: (January 1, 1999)

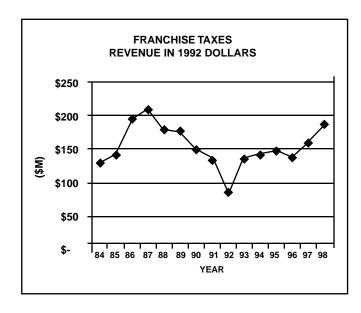
The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surtax equal to 5 percent of the base rate.

REVENUE:

Fiscal Year	Corporation	Unincorporated Business
1997	\$ 144,563,000	\$ 38,942,000
1998	\$ 170,029,000	\$ 45,767,000
1999	\$ 163,699,000	\$ 53,896,000

COMPARATIVE DATA:

State		ederal Tax	State	Maximum Rate	Federal Tax Deductibility
Alabama	5.0%	Yes	Missouri	6.25% (over \$335,000)	Yes
Alaska	9.4% (over \$90,000)	No	Montana	6.75%	No
Arizona	8.0%	Yes	Nebraska	7.81% (over \$50,000)	No
Arkansas	6.5% (over \$100,000)	No	Nevada	No corporate income tax	X
California	8.84%	No	New Hampshire	7.0%	No
Colorado	5.0%	No	New Jersey	9.0% (over \$100,000)	No
Connecticut	10.5%	No	New Mexico	7.6% (over \$1,000,000)	No
Delaware	8.7%	No	New York	9.225%	No
D.C.	9.975%	No	North Carolina	7.0%	No
Florida	5.5%	No	North Dakota	6.83%	Yes
Georgia	6.0%	No	Ohio	8.5% (over \$50,000)	No
Hawaii	6.4% (over \$100,000)	No	Oklahoma	6.0%	No
Idaho	8.0%	No	Oregon	6.6%	No
Illinois	7.3%	No	Pennsylvania	9.99%	No
Indiana	7.9% (includes supplen	nental net inco	ome tax rate of 4.5	percent)	No
Rhode Island	9.0%	No		•	
Iowa	12.0% (over \$250,000)	Yes	South Carolina	5.0%	No
Kansas	7.35% (over \$50,000)	No	South Dakota	No corporate income tax	X
Kentucky	8.25% (over \$250,000)	No	Tennessee	6.0%	No
Louisiana	8.0% (over \$200,000)	Yes	Texas	No corporate income tax	X
Maine	8.93% (over \$250,000)	No	Utah	5.0%	No
Maryland	7.0%	No	Vermont	9.75% (over \$250,000)	No
Massachusetts	9.5%	No	Virginia	6.0%	No
	(single business tax)		Washington	No corporate income tax	X
Michigan	No corporate income ta	ıX	West Virginia	9.0%	No
Minnesota	9.8%	No	Wisconsin	7.9%	No
Mississippi	5.0% (over \$10,000)	No	Wyoming	No corporate income tax	X
			-		



	REVENUE IN	PERCENT TO
	1992 DOLLARS	TOTAL TAX
YEAR	(millions)	COLLECTED
1984	\$129.9	6.7%
1985	\$142.3	7.0%
1986	\$194.3	9.0%
1987	\$211.6	9.1%
1988	\$181.2	7.5%
1989	\$177.9	7.1%
1990	\$149.9	6.1%
1991	\$136.5	5.6%
1992	\$ 87.9	3.7%
1993	\$136.4	5.9%
1994	\$142.3	6.1%
1995	\$148.9	6.8%
1996	\$138.9	6.4%
1997	\$161.9	7.4%
1998	\$187.1	7.9%

INDIVIDUAL INCOME TAX

GENERAL LIABILITY:

The tax is imposed on every resident, defined as any individual who is domiciled in the District at any time during the tax year, or who maintains an abode in the District for 183 or more days during the year.

On June 11, 1982, D.C. Law 4-118, the District of Columbia Individual, Estates, and Trusts Federal Conformity Tax Act, which adopted the federal definition of income and made other modifications to the D.C. income tax, became law. Provisions of this legislation are effective for tax years beginning after December 31, 1981.

Further conformity to federal provisions was made pursuant to D.C. Law 5-32, the District of Columbia Income and Franchise Tax Conformity Act of 1983; the Conformity Act of 1984; the Income and Franchise Tax Conformity and Revision Amendment Act of 1987;

D.C. Code Citation: Title 47, Chapter 18.

PRESENT RATES: (January 1, 1999)

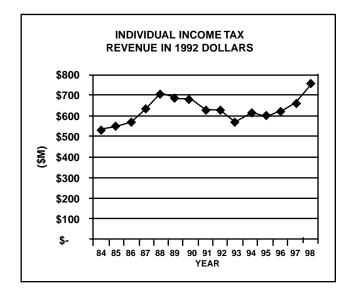
Taxable IncomeFirst \$10,000

6.0%

Over \$10,000, but not over \$20,000 \$600 + 8.0% of excess over \$10,000 Over \$20,000 \$1,400 + 9.5% of excess over \$20,000

REVENUE:

Fiscal Year	Net Collections
1997	\$ 753,475,000
1998	\$ 861,505,000
1999	\$ 952,156,000



YEAR	REVENUE IN 1992 DOLLARS (millions)	PERCENT TO TOTAL TAX COLLECTED
1984	\$535.3	27.6%
1985	\$554.6	27.2%
1986	\$571.9	26.4%
1987	\$640.4	27.4%
1988	\$709.0	29.3%
1989	\$686.4	27.4%
1990	\$684.5	28.0%
1991	\$630.6	26.0%
1992	\$620.2	26.0%
1993	\$570.5	24.7%
1994	\$616.4	26.3%
1995	\$596.5	27.2%
1996	\$621.2	28.7%
1997	\$664.8	30.3%
1998	\$751.0	31.6%

ESTATE TAXES

GENERAL LIABILITY:

The estate tax is imposed on the estate of every decedent dying while a resident of the District, and on the estate of every nonresident decedent owning property having a taxable situs in the district at the time of his or her death. The purpose of the estate tax is to absorb the 80% federal estate tax credit allowed on payments of state death taxes.

An estate tax is imposed in Maryland and Virginia to absorb the maximum credit allowed under the present federal estate tax law for taxes paid to states.

D.C. Code Citation: Title 47, Chapter 19.

REVENUES:

Fiscal Year	Collections
1997	\$ 27,314,000
1998	\$ 32,256,000
1999	\$ 26,247,000

INSURANCE PREMIUMS TAX

GENERAL LIABILITY:

The tax is imposed on the gross insurance premiums received on risks in the District, less premiums received for reinsurance assumed, returned premiums and dividends paid to policyholders. All domestic and foreign insurance companies are liable for the tax, which is in lieu of all other taxes except real estate taxes and fees provided for by the District's insurance law.

D.C. Code Citation: Title 35; Title 47, Chapter 26.

PRESENT RATE: (January 1, 1999)

1.7% on gross premium receipts.

REVENUE:

Fiscal Year	Collections
1997	\$ 42,625,000
1998	\$ 37,096,000
1999	\$ 26,944,000

COMPARATIVE DATA: (as of January 1, 1999)

Type of Company/Policy	DC^{1}	MD	VA ²
Life insurance companies	1.70%	2.00%	$2.25\%^{3}$
Life insurance special benefits	1.70%	2.00%	2.75%
Domestic mutual companies	1.70%	2.00%	1.00%
Industrial sick benefit companies	1.70%	2.00%	1.00%
Workmen's companies	1.70%	2.00%	2.50%
Other	1.70%	2.00%4	2.25%
Legal Service			
Insurance companies	_	_	2.25%

¹ The District levies an additional fee of 0.30 percent to offset the administrative costs of regulation.

² To offset the administrative cost of regulating each line of insurance, an additional fee up to .375 percent for providers of workmen's compensation insurance and 0.1 percent for other insurers may be levied.

³ 2.75% on premiums paid for special or additional benefits.

⁴3% on unauthorized insurers. 1% on auto liability insurers.

MOTOR VEHICLE TAXES

MOTOR VEHICLE EXCISE TAX

GENERAL LIABILITY:

The excise tax is imposed on the issuance of every original and subsequent certificate of title on motor vehicles and trailers. Vehicles brought into the District by new residents, who have been titled elsewhere, are exempt from the tax.

D.C. Code Citation: Title 40, Chapter 7.

PRESENT RATES: (January 1, 1999)

Based on manufacturer's shipping weight

6% of fair market value-3,499 pounds or less 7% of fair market value-3,500 pounds or more

REVENUE:

Fiscal Year	Collections
1997	\$ 30,271,000
1998	\$ 29,838,000
1999	\$ 31,329,000

COMPARATIVE DATA: (as of January 1, 1999)

Metropolitan Area Motor Vehicle Excise Tax Facts

State	Rate
D.C.	6-7%
Maryland	5%
Virginia	3%

MOTOR VEHICLE FUEL TAX

GENERAL LIABILITY:

The tax is imposed on every importer of motor vehicle fuels, including gasoline, diesel fuel, benzol, benzene, naphtha, kerosene, heating oils, all liquefied petroleum gases and all combustible gases and liquids suitable for the generation of power for the propulsion of motor vehicles.

Beginning on October 1, 1996, the motor vehicle fuels tax is deposited to the Highway Trust Fund, rather than to the General Fund.

D.C. Code Citation: Title 47, Chapter 23.

PRESENT RATES: (January 1, 1999)

20¢ per gallon

REVENUE:

Fiscal Year	Collections
1997	\$ 37,283,000
1998	\$ 30,723,000
1999	\$ 29,892,000

COMPARATIVE DATA: (as of January 1, 1999)

Rates for gasoline only. Rates may vary for diesel, gasohol, or other fuels. Does not include local option taxes (2% in Virginia).

State	Tax Per Gallon	State	Tax Per Gallon	State	Tax Per Gallon
Alabama	\$.16	Maryland	.235	South Carolina	.16
Alaska	.08	Massachusetts	.21	South Dakota	.21
Arizona	.18	Michigan	.19	Tennessee	.20
Arkansas	.185	Minnesota	.20	Texas	.20
California	.18	Mississippi	.18	Utah	.245
Colorado	.22	Missouri	.17	Vermont	.19
Connecticut	.32	Montana	.27	Virginia	.175
Delaware	.23	Nebraska	.235	Washington	.23
D.C.	.20	Nevada	.24	West Virginia	.254
Florida	.04	New Hampshire	.18	Wisconsin	.254
				Wyoming	.13
Georgia	.075	New Jersey	.105		
Hawaii	.16	New Mexico	.17		
Idaho	.25	New York	.08		
Illinois	.19	North Carolina	.212		
Indiana	.15	North Dakota	.20		
Iowa	.20	Ohio	.22		
Kansas	.18	Oklahoma	.17		
Kentucky	.15	Oregon	.24		
Louisiana	.20	Pennsylvania	.259		
Maine	.19	Rhode Island	.28		

MOTOR VEHICLE REGISTRATION FEES

GENERAL LIABILITY:

Imposed on every vehicle operated by a resident over the highways of the District of Columbia.

D.C. Code Citation: Title 40, Chapter 1.

PRESENT RATES:

Based on manufacturer's shipping weight

Passenger cars

3,499 pounds or less — \$55

3,500 pounds or more — \$88

Mopeds: \$10 Motorcycles: \$30 Antique vehicles: \$15

Trucks and buses: Trailers:

Less than 300 pounds	\$ 95	Less than 500 pounds	\$ 20
3000-3999 pounds	105	500-999 pounds	29
4000-4999 pounds	123	1000-1499 pounds	48
5000-5999 pounds	143	1500-2499 pounds	77
6000-6999 pounds	163	2500-3499 pounds	109
7000-7999 pounds	176	3500-5999 pounds	143
8000-8999 pounds	200	6000-7999 pounds	176
9000-9999 pounds	228	8000-9999 pounds	219
10,000-11,999 pounds	291	10,000-11,999 pounds	291
12,000-13,999 pounds	340	12,000-15,999 pounds	361
14,000-15,999 pounds	408	16,000 pounds and over	431
16,000 pounds and over	479		

Dealer's identification tags: first set - \$53; each additional set - \$19

Inspection fee - \$10

Residential parking permit - \$10; duplicate registration - \$5

Temporary tag - \$10

Reciprocity permits - \$125

Dealer's proof of ownership - \$15

REVENUE:

Fiscal Year	Collections
1997	\$ 15,307,000
1998	\$ 15,072,000
1999	\$ 15,842,000

COMPARATIVE DATA:

Metropolitan Area Motor Vehicle Registration Fees Vehicle Weights

Jurisdiction	3499 lbs. or less	3500 - 3700 lbs.	3701 - 4000 lbs.	Over 4000 lbs.
District of Columbia	\$55.00	\$88.00	\$88.00	\$88.00
Charles Co., Md.	27.00	27.00	40.50	40.50
Montgomery Co., Md.	27.00	27.00	40.50	40.50
Prince George's Co., Md.	27.00	27.00	40.50	40.50
Alexandria, Va. 1	51.00	51.00	51.00	55.00
Arlington Co., Va. ¹	31.00	31.00	31.00	35.00
Fairfax City, Va. ¹	51.00	51.00	51.00	55.00
Fairfax Co., Va. ¹	51.00	51.00	51.00	55.00
Falls Church, Va. ¹	51.00	51.00	51.00	55.00
Loudoun Co., Va. 1	50.00	50.00	50.00	54.00
Prince William Co., Va. ¹	50.00	50.00	50.00	54.00

¹ Autos subject also to personal property tax. Rates shown include a \$26 state fee on vehicles weighing 4,000 pounds or less and a \$30 state fee on vehicles weighing more than 4,000 pound

PROPERTY TAXES

PERSONAL PROPERTY TAX

GENERAL LIABILITY:

The tax is levied on all tangible property, except inventories, used in a trade or business. Such property includes machinery, equipment, furniture and fixtures. Beginning July 1, 1981, financial institutions are included in the personal property tax base.

D.C. Code Citation: Title 47, Chapter 15 - 17.

PRESENT RATE:

\$3.40 per \$100 of assessed value

REVENUE:

Fiscal Year	Collections
1997	\$ 60,392,000
1998	\$ 68,475,000
1999	\$ 73,928,000

COMPARATIVE DATA:

Metropolitan Area Personal Property Tax Facts¹

Jurisdiction	Rate
District of Columbia	\$3.40
Charles Co., Md.	\$2.28
Montgomery Co., Md.	\$1.923
Prince George's Co., Md.	\$2.414 ²
Alexandria, Va.	\$4.75 ³ / \$4.50 7 / \$3.55 ⁴
Arlington Co., Va.	\$4.40 4
Fairfax City, Va.	\$3.29 4 / \$1.00 5 / \$0.01 6
Fairfax Co., Va.	\$4.57 ⁴ / \$1.23 ⁵ / \$0.01 ⁶
Falls Church, Va.	\$4.71 ⁴
Loudoun Co., Va.	\$4.20 4 / \$2.75 7 / \$4.00 8
Prince William Co., Va.	\$3.70 / \$2.00 ⁴ / \$1.36 ⁹

The personal property tax year in the Virginia area jurisdictions is on a calendar year basis. The rates submitted by Virginia jurisdictions for this report is applicable to calendar year 1998. In the District of Columbia and the Maryland area jurisdictions, the 1998 personal property tax is July 1, 1997 to June 30, 1998. The rates presented are those in effect for those periods. For 1998, the Virginia personal property tax relief was 12.5% for qualifying vehicles.

² Rate applies to non-town businesses. The county rate for incorporated town businesses ranges from \$2.001 to \$2.311. Maryland property tax rate is not levied against personal property.

Rate applied to regular individual personal property, and business tangible personal property.

⁴ Vehicles with special equipment designed to aid the handicapped are assessed at a rate of \$3.55 per \$100 of value.

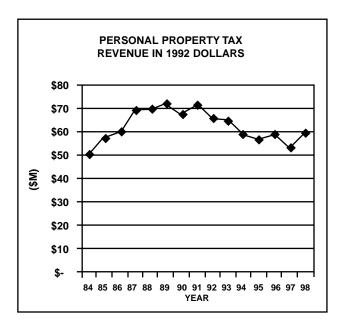
⁵ Rate applied to mobile homes and public service corporation non-vehicular personal property.

⁶ Rate applied to special subclass of vehicles.

Machinery and tools rate.

⁸ Rate applied to heavy equipment.

⁹ Rate applied to mobile homes.



YEAR	REVENUE IN 1992 DOLLARS (in millions)	PERCENT TO TOTAL TAX COLLECTED
1984	\$50.2	2.6%
1985	\$57.8	2.8%
1986	\$60.1	2.8%
1987	\$69.1	3.0%
1988	\$69.9	2.9%
1989	\$72.1	2.9%
1990	\$67.2	2.7%
1991	\$71.6	2.9%
1992	\$65.6	2.8%
1993	\$64.9	2.8%
1994	\$59.2	2.5%
1995	\$56.8	2.6%
1996	\$58.8	2.7%
1997	\$53.3	2.4%
1998	\$59.7	2.5%

REAL PROPERTY TAX

GENERAL LIABILITY:

All real property, unless expressly exempted, is subject to taxation at 100% of estimated market value. Real property tax assessments for TY 1998 are frozen at the level of TY 1997 except for changes due to such things as appeals, sales, and new construction. In FY 1997, the Council of the District of Columbia authorized a system of triennial assessment, commencing with the assessment for tax year 1999. With triennial assessment, the city is divided into three sections (each roughly one third of the assessed value of the taxable base); each section is then assessed once every three years. The first phase of the assessment will be completed in February 1998, and the assessment notices for tax year 1999 will be mailed in accordance with the real property tax calendar. A decline in assessed value becomes effective immediately.

The current District of Columbia property tax uses five classifications of property: Class 1—improved residential real property that is owner-occupied, contains not more than five dwelling units or is a single dwelling unit owned as a condominium, and is used exclusively for non-transient residential dwelling purposes, or property owned by a cooperative housing Association if a majority of the units are occupied by the shareholders; Class II—improved residential real property that is not owner-occupied and is used exclusively for non-transient residential dwelling purposes; Class III—hotels and motels; Class IV—real property which is not Class I, II, III, or III property; and Class V—unimproved property (vacant land) which is not Class I, II, III, or IV property. Vacant property which abuts and has common ownership with a classified property is classified the same as that property which it abuts.

The assessed value for each Class I owner-occupied single family residence (including condominiums) is reduced by a \$30,000 homeowner's exemption. The assessed value of residential real property owned by a cooperative housing association is reduced by 60% (but the exemption may not exceed \$30,000 multiplied by the number of units occupied by the shareholders). First-time homeowners may be eligible for abatement of real property taxes for a period of five years. Owners of certified historic buildings may benefit from a special tax program for at least twenty years. The District also has a property tax relief "circuit-breaker" program for qualified homeowners and renters, which provides a tax credit for those with low and moderate income, the elderly, blind and disabled. Also, for qualified retired senior homeowners, the District allows a one-half reduction in the amount of real property taxes that would otherwise be payable. In addition, a property tax deferral program allows qualified homeowners to defer a portion of their taxes.

D.C. Code Citation: Title 47, Chapter 7 - 14.

The District's Real Property Tax Year is October 1 through September 30.

PRESENT RATES: FY 1999

Property Class	Tax Per \$100 of Value
Class I	$$0.96^{1}$
Class II	\$1.54
Class III	\$1.85
Class IV	\$2.15
Class V	\$5.00

REVENUE:

Fiscal Year	Collections
1997	\$ 617,694,000
1998	\$ 616,935,000
1999	\$ 597,566,000

COMPARATIVE DATA: (January 1, 1999)

Metropolitan Area Real Property Tax Facts

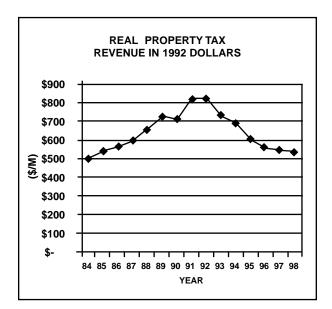
JURISDICTION	NOMINAL TAX PER \$100 VALUE	ASSESSMENT	EFFECTIVE TAX RATE PER \$100 VALUE
D.C. ²			
Class I	\$0.960	100%	\$0.960
Class II	\$1.540	100%	\$1.540
Class III	\$1.850	100%	\$1.850
Class IV	\$2.150	100%	\$2.150
Class V	\$5.000	100%	\$5.000
Maryland			
Charles Co. ³	\$2.650	40%	\$1.060
Montgomery Co. ⁴	\$2.133	40%	\$0.853
Prince George's Co. 4	\$2.414	40%	\$0.970
Virginia			
Alexandria	\$1.110	100%	\$1.110
Arlington Co.	\$0.998	100%	\$0.998
Fairfax	\$1.000	100%	\$1.000
Fairfax Co.	\$1.230	100%	\$1.230
Falls Church	\$1.110	100%	\$1.110
Loudoun Co.	\$1.110	100%	\$1.110
Prince William Co.	\$1.360	100%	\$1.360

¹ The first \$30,000 of Assessed Value is exempt from the tax.

² Because of the \$30,000 Homestead Exemption for Class 1 properties, the effective tax rate varies with the value of the property. For example, the effective rate on a \$100,000 home is \$0.679 where on a \$300,000 home it is \$0.873.

Rates are different in tax districts with various levies for fire, rescue and recreation.

⁴ A range of rates is in effect in these jurisdictions. Applicable rates depend upon the location of the subject property within the jurisdiction.



	REVENUE IN	PERCENT TO
	1992 DOLLARS	TOTAL TAX
YEAR	(in millions)	COLLECTED
1984	\$497.6	25.7%
1985	\$541.0	26.5%
1986	\$562.3	26.0%
1987	\$599.6	25.6%
1988	\$650.9	26.9%
1989	\$725.9	28.9%
1990	\$713.1	29.2%
1991	\$821.3	33.8%
1992	\$820.9	34.4%
1993	\$731.1	31.7%
1994	\$692.2	29.6%
1995	\$606.3	27.7%
1996	\$562.6	26.0%
1997	\$545.0	24.8%
1998	\$534.7	22.5%

PUBLIC UTILITY TAX

GENERAL LIABILITY:

The tax is imposed on the gross receipts of gas, electric and local telephone companies.

D.C. Code Citation: Title 47, Chapter 25.

PRESENT RATE:

10% of gross receipts

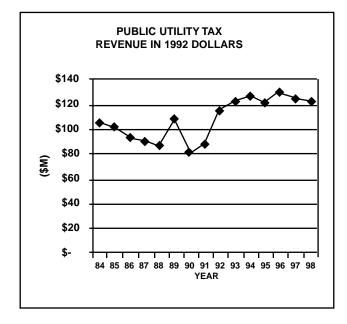
REVENUE:

Fiscal Year	Collections
1997	\$ 141,901,000
1998	\$ 141,069,000
1999	\$ 128,472,000

COMPARATIVE DATA: (January 1, 1999)

Metropolitan Area Utility Tax Facts

Jurisdiction	Utilities Subject to Tax	Rate	Basis
D.C.	Gas, electric, lighting, telephone	10.0%	Gross receipts
Maryland	Electric, light and power, gas, oil pipeline,	2.0%	Gross receipts
	telegraph and telephone companies		
Virginia	Electric, gas, heat, light, power, and water	2.0%	Gross
	Pipeline transmission		Net Income
	Up to \$100,000	1.125%	
	Over \$100,000	2.3%	
	Telegraph and telephone ¹		



	REVENUE IN	PERCENT TO
	1992 DOLLARS	TOTAL TAX
YEAR	(in millions)	COLLECTED
1984	\$105.6	5.4%
1985	\$100.6	4.9%
1986	\$ 93.2	4.3%
1987	\$ 90.9	3.9%
1988	\$ 87.4	3.6%
1989	\$108.6	4.3%
1990	\$ 80.0	3.3%
1991	\$ 88.3	3.6%
1992	\$115.3	4.8%
1993	\$123.1	5.3%
1994	\$127.2	5.4%
1995	\$121.4	5.5%
1996	\$130.5	6.0%
1997	\$125.2	5.7%
1998	\$123.0	5.2%

¹ Telephone companies are subject to the corporate income tax, not the utility gross receipts tax.

RECORDATION AND TRANSFER TAXES

GENERAL LIABILITY:

The recordation tax is imposed on the recording of all deeds to real estate in the District. The basis of the tax is the amount of consideration given for the property, including cash, property other than cash, mortgages, liens and security interest in non-residential property. Where there is no consideration or where the consideration is nominal, the tax is imposed on the basis of the fair market value of the property.

The transfer tax is imposed on each transfer of real property at the time the deed is submitted for recordation. The tax is based upon the consideration paid for the transfer. Where there is no consideration or where the amount is nominal, the basis of the transfer tax is the fair market value of the property conveyed.

A tax of 2.2 percent is imposed on transfers of economic interest.

D.C. Code Citation: Title 45, Chapter 9.

PRESENT RATE:

Deed Recordation

1.1% of consideration or fair market value

Deed Transfer

1.1% of consideration or fair market value

Economic Interest Transfer

2.2% of consideration or fair market value

REVENUE:

Deed Recordation

Fiscal Year	Collections
1997	\$ 30,821,000
1998	\$ 53,863,000
1999	\$ 70,398,000

Deed Transfer

Fiscal Year	Collections
1997	\$ 27,162,000
1998	\$ 42,597,000
1999	\$ 47,001,000

Transfer of Economic Interest

Fiscal Year	Collections
1997	\$ 10,081,000
1998	\$ 11,166,000
1999	\$ 3,687,000

COMPARATIVE DATA:

Unless otherwise designated, the amount shown is the tax per \$500 of consideration

	Deed		Deed		Deed
	Recordation and	I	Recordation and		Recordation and
State	Realty Transfer	State	Realty Transfer	State	Realty Transfer
Alabama	\$.50	Maryland ^{9,10}	2.50	South Carolina ^{24,7}	25 1.30
Alaska	_	Massachusetts 11	2.28	South Dakota	.50
Arizona ²	2.00	Michigan 12	3.75	Tennessee	1.85
Arkansas	1.65	Minnesota 13	1.65	Texas	_
California ³	_	Mississippi	_	Utah	_
Colorado	.05	Missouri	_	Vermont ²⁶	6.50
Connecticut	3.05	Montana	_	Virginia ^{27,28}	.75
Delaware 4,5	10.00	Nebraska ¹⁴	.875	Washington ²⁹	6.40
D.C. ⁶	11.00	Nevada	.65	West Virginia 30	1.10
Florida ⁷	3.50	New Hampshire ¹⁵ ,	16 2.50	Wisconsin	1.50
				Wyoming	_
Georgia	.50	New Jersey 17	1.75		
Hawaii	.50	New Mexico	_		
Idaho	_	New York 18,19	2.00		
Illinois ⁸	.50	North Carolina	1.00		
Indiana	_	North Dakota			
Iowa	.80	Ohio ²⁰	.50		
Kansas	1.30	Oklahoma ^{21,22}	.75		
Kentucky	3.50	Oregon	_		
Louisiana	_	Pennsylvania ²³	5.00		
Maine	1.10	Rhode Island	1.40		

² Flat fee is not based on the amount of consideration. Arizona imposes a real estate transfer fee at \$2 on each deed or contract.

²¹ The graduated rate structure for Oklahoma's real estate mortgage tax is as follows:

2 years and less	10¢/\$500
2 to 3 years	20¢/\$500
3 to 4 years	30¢/\$500
4 to 5 years	40¢/\$500
5 years and over	50¢/\$500 (amount shown)

²² Additional fee of \$5 on mortgage certification.

³ Counties may levy realty transfer tax at rate of 55¢/\$5.00; cities within counties may tax at rate of 27.5¢/\$500.

⁴ Rate is 2% of the value of the property. No tax is imposed when actual value of the property transferred is less than \$100.

⁵ Wilmington; additional \$5/\$500.

⁶ Minimum \$1.00

⁷ Different rates are imposed on mortgages and conveyances under Florida's documentary stamp tax law. A surtax is levied on deeds and other documents relating to really based on the consideration paid.

⁸ Chicago Additional \$1/\$500, Counties: 25¢/\$500.

⁹ Under Maryland's document recording stamp tax law, instruments conveying title to real and personal property are taxed at 55¢ for each \$500 of actual consideration paid, instruments securing a debt are taxed at 55¢ for each \$500 of the principal amount of the debt secured.

¹⁰ Additional local recordation and transfer taxes at varying rates.

¹¹ Includes a 14% surtax.

¹² Counties with population of 2 million or more: 75¢/\$500.

¹³ Under Minnesota's documentary stamp tax law, a tax is imposed on each deed, instrument, or writing conveying title to Minnesota lands and realty.

¹⁴ Under Nebraska's documentary stamp tax law, a tax is imposed on the grantor executing the deed on the privilege of transferring title to real estate.

¹⁵ Effective for the biennium ending June 30, 1989, the tax is imposed at the rate of 35¢ per \$100, with minimum tax of \$14.

¹⁶ Minimum \$14.

¹⁷ Reduced rate of \$1.25/\$500 on homes sold by senior citizens or disabled persons and on new construction.

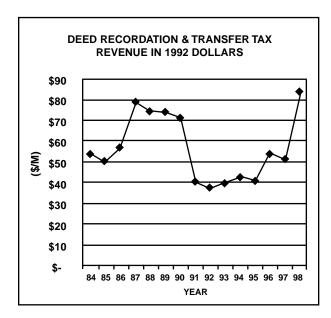
¹⁸ Mortgage rate includes an additional tax of \$1.25/\$500, plus a special tax at the rate of \$1.25/\$500.

¹⁹ New York City imposes a mortgage tax and a realty transfer tax at graduated rates. Mortgage tax is \$2.50/\$500 if debt less than \$500,000; realty transfer tax of 1% where consideration is less than \$500,000.

²⁰ Counties may impose realty transfer taxes of \$2/\$500.

²³ Philadelphia: Additional \$10/\$500; Pittsburgh: Additional \$7.50/\$500.

- Under South Carolina's documentary stamp tax law, different rates ranging from 15¢ to \$2 are imposed on mortgages and conveyances. Additional county realty transfer tax of 55¢/\$500.
- ²⁶ Minimum \$1.
- 27 Virginia's deed and mortgage tax is imposed at the rate of 15¢ per \$100 of consideration of the deed or the actual value of the property conveyed, whichever is greater. Recordation tax is levied upon parties involved in the conveyance of a deed.
- 28 Additional local transfer tax of 25¢/\$500.
- ²⁹ Counties and cities may impose an excise tax on real estate sales of \$1.25/\$500.
- 30 Additional county tax of 55¢/\$500.



	REVENUE IN	PERCENT TO
	1992 DOLLARS	TOTAL TAX
YEAR	(in millions)	COLLECTED
1984	\$54.0	2.8%
1985	\$50.2	2.5%
1986	\$57.5	2.7%
1987	\$79.1	3.4%
1988	\$74.6	3.1%
1989	\$74.4	3.0%
1990	\$71.3	2.9%
1991	\$39.7	1.6%
1992	\$37.8	1.6%
1993	\$40.4	1.8%
1994	\$43.1	1.8%
1995	\$41.3	1.9%
1996	\$53.9	2.5%
1997	\$51.2	2.3%
1998	\$84.1	3.5%

SALES AND USE TAX

GENERAL LIABILITY:

The sales tax is imposed on all tangible personal property sold or rented at retail in the District and on certain selected services. Grocery-type foods, prescription and non-prescription drugs, disability appliances and residential utility services are among items exempt from the sales tax.

The use tax is imposed at the same rate on property sold or purchased outside the District and then brought into the District to be used, stored or consumed. Vendors subject to the jurisdiction of the District are required to collect and pay the use tax. When the vendor is not subject to the jurisdiction of the District, or when the property is brought into the District by the purchaser, the purchaser is required to pay the tax.

D.C. Code Citation: Title 47, Chapters 20 and 22.

PRESENT RATES:

A five-tier rate structure is presently in effect:

- 5.75% General rate for tangible personal property and selected services, alcoholic beverages sold in stores, food sold in vending machines
 - 8% Liquor sold for off-the-premises consumption
- 10% Restaurant meals, liquor sold for consumption on the premises, rental vehicles
- 12% Parking motor vehicles in commercial lots
- 14.5% Transient accommodations

REVENUE:

Fiscal Year	Collections
1997	\$ 482,354,000
1998	\$ 524,878,000
1999	\$ 541,573,000

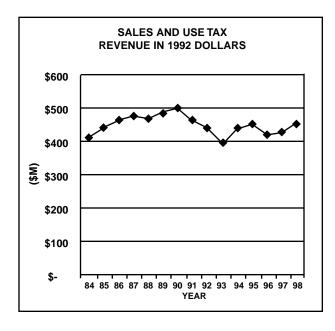
COMPARATIVE DATA: (January 1, 1999)

Convention Center sales tax rates 4.45% for transient accommodations and 1.0% for restaurants are included in rates noted above.

Maximum local rates in parentheses.

State	Rate	State	Rate
Alabama	4% (4.5%)	Missouri	4.5% (5.3125%)
Alaska	0% (6%)	Montana	None
Arizona	5%	Nebraska	5% (1.5%)
Arkansas	4.5% (4.625%)	Nevada	2% (4.5%)
California	6.0% (2.50%)	New Hampshire	None
Colorado	3% (4.3%)	New Jersey	6%
Connecticut	6%	New Mexico	5% (1.44%)
Delaware	None	New York	4% (4.25%)
D.C.	5.75%	North Carolina	4% (2%)

Florida	6%	North Dakota	5% (2%)
Georgia	4% (3%)	Ohio	5% (3%)
Hawaii	4%	Oklahoma	4.5% (6%)
Idaho	5%	Oregon	None
Illinois	6.25% (3%)	Pennsylvania	6%
Indiana	5%	Rhode Island	7%
•	F 0((40()	a 1 a 1	7 0/
Iowa	5% (1%)	South Carolina	5%
Kansas	4.9% (2%)	South Dakota	4% (2%)
Kentucky	6%	Tennessee	6% (2.75%)
Louisiana	4% (5%)	Texas	6.25% (2%)
Maine	5.5%	Utah	4.875% (1.25%)
Maryland	5%	Vermont	5%
Massachusetts	5%	Virginia	3.5% (1%)
Michigan	6%	Washington	6.5% (2.1%)
Minnesota	6.5% (1%)	West Virginia	6%
Mississippi	7%	Wisconsin	5% (.5%)
**		Wyoming	4% (1%)



	REVENUE IN	PERCENT TO
	1992 DOLLARS	TOTAL TAX
YEAR	(in millions)	COLLECTED
1984	\$411.2	21.2%
1985	\$440.7	21.6%
1986	\$464.2	21.4%
1987	\$476.3	20.4%
1988	\$467.2	19.3%
1989	\$487.7	19.4%
1990	\$500.6	20.5%
1991	\$462.5	19.0%
1992	\$442.5	18.6%
1993	\$396.8	17.2%
1994	\$434.4	18.6%
1995	\$450.0	20.5%
1996	\$421.3	19.5%
1997	\$425.6	19.4%
1998	\$456.8	19.2%

TOLL TELECOMMUNICATIONS TAX

GENERAL LIABILITY:

The tax is imposed on telecommunication companies for the privilege of providing toll telecommunication service in the District.

D.C. Code Citation: Title 47, Chapter 38.

PRESENT RATE:

10% of gross charges

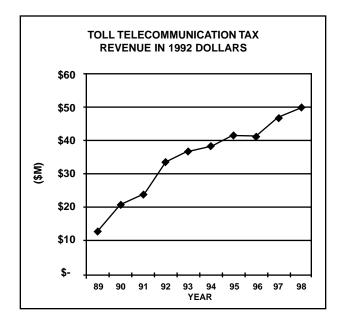
REVENUE:

Fiscal Year	Collections		
1997	\$ 52,994,000		
1998	\$ 56,732,000		
1999	\$ 51,874,000		

COMPARATIVE DATA: (January 1, 1999)

Metropolitan Area Telecommunications Tax Facts

State	Rate
D.C.	10.0%
Maryland	2.0%
Virginia	0.5%



	REVENUE IN 1992 DOLLARS	PERCENT TO TOTAL TAX
YEAR	(in millions)	COLLECTED
1989	\$12.5	0.5%
1990	\$20.6	0.8%
1991	\$23.5	1.0%
1992	\$33.1	1.4%
1993	\$36.6	1.6%
1994	\$37.9	1.6%
1995	\$41.3	1.9%
1996	\$41.0	1.9%
1997	\$46.8	2.1%
1998	\$49.5	2.1%

ARENA FEE

GENERAL LIABILITY:

The Arena Fee is required to be filed by any person or entity who at any given point during their calendar year or fiscal year ending on June 15, is subject to any of the following:

- 1. D.C. corporation franchise tax;
- 2. D.C. unincorporated business franchise tax; or
- 3. The D.C. Unemployment Compensation Act, except employers who employ persons to provide personal or domestic services in a private home unless the employment is related to the employer's trade, occupation, profession, enterprise, or vocation.

The arena fee is based upon District gross receipts for the preceding tax year.

D.C. Code Citation: Omnibus Budget Support Act of 1994, Title III, Section 303, April 22, 1994.

PRESENT RATES: (June 15, 1999)

District Gross Receipts For			
Preceding Fiscal Year	Fee		
Less than \$200,000	\$25		
\$200,001 to \$500,000	\$50		
\$500,001 to \$1,000,000	\$100		
\$1,000,001 to \$3,000,000	\$825		
\$3,000,001 to \$10,000,000	\$2,500		
\$10,000,001 to \$15,000,000	\$5,000		
Over \$15,000,000	\$8,400		

REVENUE:

Fiscal Year	Collections
1997	\$ 9,582,000
1998	\$ 10,904,000
1999	\$ 11,585,000

Note: Prior to FY 1995, the Arena Fee was called the Public Safety Fee with some modifications. It is used to help fund a portion of the cost of a new arena.

PART III -**SELECTED D.C. TAX STATISTICS**

TABLE 3 D.C. TAX COLLECTIONS

(In Thousands of Dollars)

Fiscal Year	Total Net Collections 1/	Individual and Corporate Income	Property Taxes 2/	Sales and Use Taxes	Gross Receipts Taxes 3/	Miscellaneous Taxes 4/
1980	906,353	339,241	220,670	194,018	66,324	86,100
1981	1,078,830	387,001 5/	259,125	243,228	82,658	106,818
1982	1,168,893	406,232 5/	321,294	248,876	84,454	108,247
1983	1,295,927	439,179 6/	368,195	271,855	91,119	125,579
1984	1,398,812	480,453 6/	397,448	296,956	80,420	143,535
1985	1,536,028	524,620 5/	455,097	331,735	70,390	154,186
1986	1,684,536	595,964 5/	488,849	361,031	72,474	166,218
1987	1,873,667	682,788 5/	541,211	381,707	99,786	168,175
1988	2,021,911	744,326	609,425	390,646	103,285	174,229
1989	2,204,598	759,883	710,766	428,763	106,478 7/	198,708
1990	2,279,127	777,651	737,138	466,557	93,757 7 /	204,024
1991	2,371,732	749,025	881,878	451,582	109,224 7/	180,023
1992	2,384,300	708,085	903,319	442,496	148,407 7/	181,993
1993	2,557,852	730,519	1,011,66	410,068	197,406 7/8/9/	208,196
1994	2,470,052	800,868	811,009	458,555	211,991 7/8/9/	187,629
1995	2,391,041	804,355	730,343	485,651	176,209 7/8/9/	194,483
1996	2,402,521	843,553	701,635	467,527	201,836 7/8/10/	187,970
1997	2,490,036	936,980	687,599	482,354	186,617 7/8/10/	196,486
1998	2,731,848	1,077,301	695,440	582,588	199,541 7/8/	176,978

Source: FY 2000 District of Columbia Proposed Operating Budget, June 1, 1999.

TABLE 4 1997 D.C. INCOME TAX DISTRIBUTION

Adjusted Gross	N		Adjusted Gross Income	D 417	Net Taxable Income	5
Income Class	No. of Returns	Percent 1/	Amount	Percent 1/	Amount	Percent1/
		I	TEMIZED DEDUCTIONS			
\$<0-9,999	4,175	4.6%	10,212,146	0.2%	(5,306,572)	-0.1%
\$10,000-19,999	8,508	9.5%	131,211,235	2.0%	42,072,722	0.8%
\$20,000-29,999	12,254	13.6%	307,853,952	4.7%	160,342,815	3.1%
\$30,000-39,999	12,381	13.8%	432,042,626	6.6%	275,925,296	5.3%
\$40,000-49,999	10,138	11.3%	454,161,507	6.9%	320,438,056	6.1%
\$50,000 & Over	42,562	47.3%	5,225,465,722	79.6%	4,442,680,349	84.8%
Total	90,018	100.0%	6,560,947,188	100.0%	5,236,152,666	100.0%
		5	STANDARD DEDUCTION			
\$0- 9,999	52,275	32.8%	240,654,253	7.9%	80,790,500	3.4%
\$10,000-19,999	44,761	28.1%	662,733,736	21.7%	446,772,990	18.7%
\$20,000-29,999	31,317	19.6%	770,655,747	25.2%	619,485,381	25.9%
\$30,000-39,999	16,901	10.6%	580,347,999	19.0%	503,849,302	21.1%
\$40,000-49,999	7,602	4.8%	337,010,173	11.0%	303,703,311	12.7%
\$50,000 & Over	6,696	4.2%	466,099,538	15.2%	436,062,683	18.2%
Total	159,552	100.0%	3,057,501,446	100.0%	2,390,664,167	100.0%

^{1/} Detail may not add to total due to rounding.

Collection is on a cash basis from 1978-1980 and on a modified accrual basis for 1981-1998.
 Beginning in 1983, includes public space rental.
 Includes financial institutions and public utility taxes.
 Includes alcoholic beverage, cigarette, insurance, motor vehicles, inheritance and estate, recordation and transfer, and hotel occupancy taxes.
 Includes total corporate income surtax.
 Includes total corporate income surtax.
 Includes total corporate income surtax.
 Includes toll-telecommunications taxes.

^{8/} Includes health care providers tax.
9/ Includes Public Safety Fee.
10/ Includes Arena Fee.

TABLE 5
D.C. REAL ESTATE ASSESSMENTS-TAXABLE, EXEMPT AND TOTALS
TAX YEAR 1999

						% of a	ll Prope	rties	Number
	Total	Land		Total		Land	Land	Total	of
Type of Property	Acres	Value	Improvements	Value	Tax	Acres	Value	Value	Items
TOTAL TAXABLE	12,517.802	\$17,152,490,702	\$25,191,807,045	\$42,344,297,665	\$ 644,714,969	43.6	48.3	58.3	153,890
CLASS ONE (Gross)	6,630.200	\$ 5,502,999,797	\$11,117,888,601	\$16,620,888,381	\$ 134,741,153	23.1	15.5	22.9	91,929
Residential/Single Family	4,032.158	3,321,742,374	6,561,136,274	9,882,878,648	81,976,124	14.0	9.4	13.6	45,076
Residential/Multifamily	194.516	367,224,487	1,121,596,036	1,488,820,523	10,768,808	.7	1.0	2.1	12,352
Flats/Conversions	163.943	243,281,391	495,095,998	738,377,389	6,114,100	.6	.7	1.0	3,411
Cooperatives	113.996	139,109,946	284,821,179	423,931,125	4,021,350	.4	.4	.6	168
Garage/Unimproved Land	133.424	68,658,572	18,584,737	87,243,309	837,169	.5	.2	.1	4,346
Mixed Use	33.198	35,286,081	61,875,409	97,161,479	1,110,608	.1 6.8	.1 3.7	.1 5.4	155 26,414
Seniors Commercial	1,957.962 1.003	1,326,579,705 1,117,241	2,574,408,963 370,005	3,900,988,662 1,487,246	29,899,582 13,412	.0	.0	.0	20,414 7
Commercial	1.000	1,117,211	370,002	1,107,210	10,112	.0	.0	.0	,
CLASS TWO (Gross)	3,126.234	\$ 2,328,844,284	\$ 4,712,291,679	\$ 7,041,135,899	\$ 109,401,127	10.9	6.6	9.7	47,909
Residential/Single Family	1,213.260	977,668,451	1,746,587,755	2,724,256,206	41,953,523	4.2	2.8	3.8	19,109
Residential/Multifamily	1,183.017	738,369,120	1,995,014,693	2,733,383,813	42,091,476	4.1	2.1	3.8	16,211
Flats/Conversions	391.703	328,226,139	565,031,601	893,257,740	13,756,155	1.4	.9	1.2	6,372
Cooperatives	63.328	32,618,506	41,060,854	73,679,360	1,133,740	.2	.1	.1	129
Garage/Unimproved Land	86.595	50,822,978	33,939,795	84,762,773	1,304,521	.3	.1	.1	5,327
Mixed Use	187.443	198,289,957	328,764,560	527,054,453	9,088,692	.7	.6	.7	749
Hotels/Motels	0.803	2,673,444	1,890,001	4,563,445	70,277	.0	.0	.0	10
Commercial	0.085	175,689	2,420	178,109	2,743	.0	.0	.0	2
CLASS THREE	122.584	\$ 781,177,544	\$ 1,003,934,316	\$ 1,785,111,859	\$ 33,651,141	.4	2.2	2.5	243
Garage/Unimproved Land	6.739	7,282,408	234,997	7,517,405	139,069	.0	.0	.0	60
Mixed Use	19.456	178,113,391	242,706,265	420,819,655	8,411,719	.1	.5	.6	8
Hotels/Motels	91.702	588,924,371	759,684,081	1,348,608,452	24,949,276	.3	1.7	1.9	156
Commercial	4.687	6,857,374	1,308,973	8,166,347	151,077	.0	.0	.0	19
CLASS FOUR	2,302.063	\$ 8,411,222,265	\$ 8,355,152,996	\$16,766,375,261	\$ 360,477,877	8.0	23.7	23.1	11,114
Residential/Single Family	0.060	112,193	22,808	135,001	2,903	.0	.0	.0	1
Residential/Multifamily	0.294	934,289	59,284	993,573	21,362	.0	.0	.0	3
Flats/Conversions	16.723	16,176,549	36,172,700	52,349,249	1,125,512	.1	.0	.1	43
Garage/Unimproved Land	263.567	328,680,332	13,844,036	342,524,368	7,364,272	.9	.9	.5	3,039
Mixed Use	0.087	112,456	23,569	136,025	2,925	.0	.0	.0	1
Hotels/Motels	5.549	25,710,726	25,735,589	51,446,315	1,106,097	.0	.1	.1	26
Commercial	1,842.409	8,005,937,070	8,277,442,591	16,283,379,661	350,093,472	6.4	22.6	22.4	7,805
Unimproved	173.374	33,558,650	1,852,419	35,411,069	761,334	.6	.1	.0	196
CLASS FIVE	335.612	\$ 127,443,294	\$ 796,883	\$ 128,240,177	\$ 6,412,126	1.2	.4	.2	2,656
Garage/Unimproved Land	335.612	127,443,294	796,883	128,240,177	6,412,126	1.2	.4	.2	2,656
TOTAL EXEMPT	16,336.212	\$18,335,889,035	\$11,915,280,847	\$30,251,169,882	\$ 364,888,420	56.8	51.7	41.7	13,533
Total US/DC Government	13,134.401	14,698,190,004	7,348,189,004	22,046,379,008	205,459,708	45.7	41.4	30.4	5,378
United States	11,575.707	13,279,388,099	5,922,649,994	19,202,038,093	154,530,945	40.3	37.4	26.5	3,896
District of Columbia	1,558.694	1,418,801,905	1,425,539,010	2,844,340,915	50,928,763	5.4	4.0	3.9	1,482
Total Non-US/DC Exempt	3,201.811	\$ 3,637,699,031	\$ 4,567,091,843	\$ 8,204,790,874	\$ 159,428,712	11.1	10.3	11.3	8,115
W.M.A.T.A.	182.025	123,413,154	33,869,743	157,282,897	3,698,005	.6	.3	.2	485
Tax Abated	0.002	9,775	23,925	33,700	519	.0	.0	.0	1
D.C.R.I.A.	49.999	227,387,548	12,874,727	240,262,275	83,596,257	.2	.6	.3	331
Homestead Preservation	0.909	219,267	643,481	862,748	8,826	.0	.0	.0	4.060
Low Income-Abated	184.808 620.937	111,874,696 490,645,035	258,668,525	370,543,221	4,456,561	.6	.3	.5	4,060
Religious Educational	655.538	865,961,411	747,831,983 922,465,140	1,238,477,018 1,788,426,551	14,427,528 17,937,893	2.2 2.3	1.4 2.4	1.7 2.5	1,225 432
Foreign Government	288.789	360,212,490	670,070,841	1,030,283,331	11,316,314	1.0	1.1	1.4	610
Charitable	215.684	145,936,435	239,450,542	385,386,977	5,776,215	.8	.4	.5	471
Cemetery	261.649	114,444,299	1,267,507	115,711,806	167,706	.o .9	.3	.2	23
Hospital	223.213	223,401,597	450,318,180	673,711,800	278,001	.8	.6	.9	18
Library	1.331	4,635,160	9,568,833	14,203,993	8,853	.0	.0	.0	3
Miscellaneous	516.927	969,558,164	1,220,038,416	2,189,596,580	17,756,034	1.8	2.7	3.0	448
TOTAL TAXABLE									
AND EXEMPT	28,854.014	\$35,488,379,737	\$37,107,087,892	\$72,595,467,547	\$ 1,009,603,389	100.4	100.0	100.0	167,383

^{1/} Detail may not add to total due to rounding.

Note: Tax amount for exemption properties is potential tax based on Class 4 commercial rate \$2.15 per \$100 value.

TABLE 6 D.C. REAL PROPERTY TAX LEVIES AND COLLECTIONS Last Ten Fiscal Years

(\$000)

Property Tax <u>Year (1)</u>	Tax <u>Levy (2)</u>	Total Tax Collections	Percent of Total Collections <u>to Levy</u>	Outstanding Delinquent <u>Taxes</u>
1989	593,469	600,095	101.1	2,889
1990	648,568	645,089	99.5	7,770
1991	771,588	768,432	99.6	10,288
1992	820,919	819,555	99.8	24,183
1993	928,934	889,238	95.7	81,385
1994	721,924	707,488	98.0	64,025
1995	720,331	692,953	96.2	52,277
1996	700,171	681,086	97.3	50,464
1997	648,166	627,437	96.8	48,270
1998	638,569	620,797	97.2	37,229

¹ Property tax year is from October 1 to September 30 starting in 1996. From 1986 to 1995, the property tax year was July 1 to June 30.

TABLE 7
MAJOR STATE AND LOCAL TAX BURDENS FOR A FAMILY OF FOUR RESIDING IN SELECTED WASHINGTON METROPOLITAN AREA JURISDICTIONS, 1998

TAX	DISTRICT OF COLUMBIA	MONTGOMERY COUNTY	PR. GEORGE'S COUNTY	<u>ALEXANDRIA</u>	ARLINGTON COUNTY	FAIRFAX COUNTY
			\$25,000	INCOME LEVEL		
INCOME	\$ 1,100	\$ 163	\$ 163	\$ 580	\$ 580	\$ 580
SALES	492	393	405	539	548	532
REAL ESTATE	372	587	719	763	686	846
AUTOMOBILE	224	187	187	539	<u>457</u>	526
TOTAL	\$ 2,188	\$ 1,330	\$ 1,474	\$ 2,422	\$ 2,271	\$ 2,483
RANK	(4)	(6)	(5)	(2)	(3)	(1)
			\$50,00	0 INCOME LEVEL		
INCOME	\$ 2,706	\$ 2,743	\$ 2,723	\$ 1,765	\$ 1,778	\$ 1,758
SALES	844	658	690	835	851	814
REAL ESTATE	912	1,067	1,307	1,388	1,248	1,538
AUTOMOBILE	218	180	180	<u>698</u>	597	<u>678</u>
TOTAL	\$ 4,680	\$ 4,648	\$ 4,900	\$ 4,685	\$ 4,473	\$ 4,788
RANK	(4)	(5)	(1)	(3)	(6)	(2)
			\$75,000	0 INCOME LEVEL		
INCOME	\$ 4,725	\$ 4,495	\$ 4,467	\$ 2,990	\$ 3,009	\$ 2,978
SALES	1,346	984	1,031	1,251	1,275	1,221
REAL ESTATE	1,512	1,600	1,961	2,081	1,871	2,306
AUTOMOBILE	363	313	313	1,287	_1,122	_1,264
TOTAL	\$ 7,947	\$ 7,392	\$ 7,772	\$ 7,610	\$ 7,277	\$ 7,769
RANK	(1)	(5)	(2)	(4)	(6)	(3)
			\$100,0	00 INCOME LEVEL		
INCOME	\$ 6,851	\$ 6,266	\$ 6,231	\$ 4,264	\$ 4,287	\$ 4,250
SALES	1,797	1,313	1,376	1,667	1,700	1,627
REAL ESTATE	1,872	1,920	2,353	2,498	2,246	2,768
AUTOMOBILE	<u>366</u>	316	316	1,521	_1,328	_1,489
TOTAL	\$10,886	\$ 9,815	\$10,276	\$ 9,949	\$ 9,561	\$10,133
RANK	(1)	(5)	(2)	(4)	(6)	(3)
			\$150,0	00 INCOME LEVEL		
INCOME	\$11,064	\$ 9,765	\$ 9,720	\$ 6,787	\$ 6,818	\$ 6,768
SALES	2,693	1,870	2,069	2,500	2,549	2,439
REAL ESTATE	2,592	2,560	3,137	3,330	2,994	3,690
AUTOMOBILE	366	<u>316</u>	<u>316</u>	1,989	1,737	1,947
TOTAL	\$16,715	\$14,511	\$15,242	\$14,606	\$14,098	\$14,845
RANK	(1)	(5)	(2)	(4)	(6)	(3)

² This column reflects the original tax levies for the years indicated and excludes later increases or decreases resulting primarily from audits and judgements.

PART IV - HISTORY OF MAJOR CHANGES IN D.C. TAX STRUCTURE, FY 1970 TO FY 1999

HISTORY OF MAJOR CHANGES IN D.C. TAX STRUCTURE - FY 1970 TO 1994

Revenue Source	Fiscal Year of Enactment	Fiscal Year Effective	Change	Full Year Revenue Effect at Time of Change 1/
Alcoholic Beverages:			- · · g ·	
Beer	1970	1970	Rate increased 25¢/barrel to \$2.25/barrel	+\$150,000
Beer	1989	1989	Rate increased 54¢/barrel to \$2.79/barrel	+\$250,000
Sparkling Wine	1989	1989	Rate decreased 5¢/gallon to 40¢/gallon	-\$25,000
Sparking Wile	1990	1990	Rate increased 5¢/gallon to 45¢/gallon	+\$20,000
Spirits	1970	1970	Rate increased 25¢/gallon to 2.00/gallon	+\$1,500,000
~F	1978	1978	Rate decreased 50¢/gallon to \$1.50/gallon	-\$1,800,000
Wine				4-,,
(14% or Less Alcohol)	1989	1989	Rate increased 25¢/gallon to 40¢/gallon	+\$750,000
, ,	1990	1990	Rate decreased 10¢/gallon to 30¢/gallon	-\$300,000
(More than 14% Alcohol)	1989	1989	Rate increased 7¢/gallon to 40¢/gallon	+\$25,000
Cigarette	1970	1970	Rate increased from 3¢/pack to 4¢/pack	+\$1,050,000
	1973	1973	Rate increased from 4¢/pack to 6¢/pack	+\$1,800,000
	1976	1976	Rate increased from 6¢/pack to 10¢/pack	+\$2,600,000
			Rate increased from 10¢/pack to 13¢/pack	+\$2,400,000
	1987	1987	Rate increased from 13¢/pack to 17¢/pack (April 1987)	+\$1,200,000
	1991	1992	Rate increased from 17¢/pack to 30¢/pack (April 1991)	+\$5,200,000
	1992	1992	Rate increased from 30¢/pack to 50¢/pack (April 1992)	+\$4,500,000
	1993	1993	Rate increased from 50¢/pack to 65¢/pack (July 1993)	+\$4,500,000
Financial Institutions:				
Banks, Building	1976	1976	Rate on banks increased from 4% to 6%; rate on building associations	
Association Gross			increased from 2% to 3%	+\$5,600,000
Earnings			Rate on building associations decreased from 3% to 2%	-\$ 2,500,000
· ·	1977	1977	Payment due with return-August 1	-
	1980	1981	Financial institutions added to corporation franchise base/gross	
			earnings tax phased out 2/	+\$3,569,000
Income Taxes:	1970	1970	District taxation of capital gains and sick pay conformed to the	
Individual Income	1970	1970	federal treatment	
			New rates and brackets From	
	1975	1976	Income tax credit for excess property taxes paid by low income persons	S
	1976	1976	Personal exemptions and childcare deduction conformed to federal	
			treatment	+\$ 1,500,000
			New rates and brackets	
			% 2 3 4 5 6 7 8 9 10 11 \$000 1 1 1 1 1 5 3 4 8 over 25	+\$14,900,000
	1977	1977	Income tax credit for excess property taxes paid: a) over 62, blind, disabled-income limit \$20,000-credit limit \$750 b) under 62-income limit \$7,000-credit limit \$320	-\$ 3,917,000
		1978	Income tax credit for excess property taxes paid: a) over 62, blind, disabled-income limit \$20,000-credit limit \$750	-\$ 2,309,000
	1978	1979	 b) under 62-income limit \$10,000-credit limit \$400 Income tax credit for excess property taxes paid is increased to \$750 and the income limit is increased to \$20,000 for claimants under age 	
	1980	1980	62 who are not blind or disabled Installment dates for payments of and declarations of estimated tax	-\$ 1,000,000
	1982	1982	changed from July 15 to June 15 and from October 15 to September 15 D.C. income tax conformed to the federal income tax with certain modifications.	+\$ 2,500,000 -\$ 6,200,000
	1982	1983	Conformity to federal treatment of medical and dental expenses, and casualty losses	-\$ 8,200,000 +\$ 3,015,000
	1987	1987	Require seizure of individual income tax refunds of the University of the District of Columbia adjudicated student loan defaulters	

^{1/} The revenue effect of each law change is mutually exclusive.
2/ The revenue effect of adding financial institutions to the corporation franchise tax base resulted in a revenue loss of \$7.2 million annually by FY 1985. The increase shown results from the mechanisms of phasing in the change.

Fiscal Yea	r]	Effect at					
of							Dollars)			
Enactmen	<u>t</u>	FY '87	FY '88	FY '89	<u>FY '90</u>	<u>FY '91</u>	FY '92	<u>FY '93</u>	<u>FY94</u>	<u>FY '95</u>
1987	New rates and brackets									
	<u>% 6 8 10</u>									
	\$000 10 10 over 20 for calendar year 1987									
	% 6 8 9.5 for calendar year 1988									
	\$000 10 10 over 20 and subsequent years.	2.9	17.7	19.9	23.0	26.0	-	-	-	-
1987	Increased personal exemption to \$885 for 1987; \$1,025 for 1988; \$1,160 for									
	1989; \$1,270 for 1990; and \$1,370 for 1991 and subsequent calendar years	-7.6	-11.9	-17.7	-22.5	-26.8	-	-	_	-
1987	Increased standard deduction from \$1,000 to \$2,000	-10.0	-10.0	-10.0	-10.0	-10.0	-	-	-	-
1987	Retained \$3,000 exclusion for certain retirees	-5.0	-5.0	-5.0	-5.0	-5.0	-	-	_	-
1987	Established low individual income tax credit	-2.0	-1.0	-1.0	-1.0	-1.0	-	-	-	-
1989	Repealed Political Contribution Credit	-	-	0.2	1.0	1.0	1.0	1.0	1.0	1.0
	Required same deduction method used when filing federal return	-	_	1.5	3.0	3.0	3.0	3.0	3.0	3.0
	Begin taxation of lottery winnings	-	-	0.5	1.0	1.0	1.0	1.0	1.0	1.0
1995	Conform to Internal Revenue code provisions as of April 11, 1995								mi	nimal
		Est	imated	Full Yea	r Reven	ue				
		FY '00	FY '01	FY '02	FY '03					
1999	Tax Parity Act of 1999 (estimates assume full enactment)	-21.2	-56.2	-77.2	-99.9	-148.7				

^{2/} Increased tax change effective on a calendar year basis.

TAX PARITY ACT OF 1999 REDUCED TAX RATES AS FOLLOWS:

Lowest rate \$0 - \$10,000 (currently 6.0%)	FY '00 5.0%	FY '01 5.0%	<u>FY '02</u> 5.0%	FY '03 4.5%	<u>FY '04</u> 4.0%
Middle rate \$10,001 - \$20,000 (currently 8.0%)	7.5%	7.5% \$10- \$30K	7.0% \$10- \$30K	7.0% \$10- \$40K	6.0% \$10- \$40K
Top rate Over \$20,000 (currently 9.5%)	9.5%	9.3%	9.0%	8.7%	8.5%
Top Bracket	\$20K	\$30K	\$30K	\$40K	\$40K

NOTE: Top bracket may be reduced as low as 8.0%, depending upon revenue and economic performance.

Revenue Source	Fiscal Year of Enactment	Fiscal Year Effective	Change	Full Year Revenue Effect at Time of Change 1/
Corporation and	1970	1970	\$25 minimum tax and quarterly declaration payment requirements	+\$2,500,000
Unincorporated	1972	1972	Rate increased to 7%	+\$3,000,000
Business Franchise		1974	Rate increased to 8%	+\$3,000,000
	1976	1976	Professionals added to unincorporated business franchise tax base at	
			12% rate with new exemption and salary allowance amounts	
			(gross amount before individual income tax impact)	+\$8,250,000
			Permanent corporate and unincorporated business tax rate increase	
			from 8% to 9%	+\$3,675,000
			Temporary increase for calendar year 1975 from 9% to 12%	+\$11,025,000
			Require professional corporations to file as unincorporated	
			businesses; 10% surtax imposed; effective rate for FY 1976 returns became 9.9%	+\$1,250,000
	1977	1977	Only unincorporated businesses with gross incomes in excess of	
			\$12,000 must file a return	+\$6,000,000
	1978	1978	10% surtax continued indefinitely	-\$40,000
	1980	1980	Installment dates for payments and declarations of estimated tax	
			changed from July 15 to June 15 and from October 15 to September 15	+\$5,600,000
	1980	1980	Professionals deleted from unincorporated business franchise tax base	+\$2,500,000
	1980	1981	Financial institutions added to corporation franchise tax base	-\$10,410,000
	1983	1983	Minimum franchise tax increased from \$25 to \$100	+\$3,569,000
	1984	1985	Rate increased from 9% to 10%, surtax decreased from 10% to 5% for an effective rate of 10.5%	+\$800,000
	1986	1986	Nondeductible expenses incurred to produce, treated as exempt income.	+\$7,000,000

 $^{1/\,}$ The revenue effect of each law change is mutually exclusive.

EV (97	EV 600	EV (80	EV (00	EV (01	FY '92

Corporation and	1987	Surtax decreased from 5% to 2.5%	0	-4.4	-4.8	-5.3	-5.8	_
Unincorporated	1987	Established net operating loss	-5.0	-5.0	-5.0	-5.0	-	
Business Franchise-continued	1989	Surtax increased from 2.5% to 5%	-	4.3	4.7	5.1	-	-

^{1/} The revenue effect of each law change is mutually exclusive.2/ Increased tax change effective on a calendar year basis.

	Fiscal Year of	Fiscal Year		Full Year Revenu Effect at Time
Revenue Source	Enactment	Effective	Change	of Change 1/
Corporation and	1993	1993	Surtax decreased from 5% to 2.5%	
Unincorporated			effective October 1, 1992	-\$2,950,000
Business Franchise-continued	1994	1995	Reduce franchise tax rate to 9.5%	-\$6,400,000
	1994	1995	Allow a deduction for Subpart F income	-\$3,000,000
	1994	1994	Conform to provisions of omnibus budget reconciliation act of 1993	+\$100,000
	1994	1994	Add a 2.5% surtax to finance the Convention Center	+\$3,143,000
	1995	1995	Conform to Internal Revenue Code provisions as of April 11, 1995.	-
	1999	1999	Surtax (2.5%) financing the Convention Center shifted to general fund. 2/	+\$6,200,000
	1999	2000	Eliminate carryback of net operating losses/adjust net operating loss provisions	
			to reflect single entity filing.	-
	1999	2003	Reduce 9.975% rate to 9.0%.	-\$16,700,000
	1999	2004	Reduce 9.0% rate to 8.5% (rate reduction impact is cumulative).	-\$28,700,000
nheritance and Estate	1972	1972	Rates increased to a range of 1%-23%, Class B merged with	
			Class C and exemption lowered	-\$2,800,000
	1987	1987	Inheritance tax abolished for decedents dying on or after April 1, 1987	-\$15,000,000
Insurance	1977	1977	Payment dates changed. If liability is over \$2,000, at least 25% of tax must be paid	
			in each of 3 installments during the year taxable income is received.	
			Remainder is due by March 1 following close of calendar year.	-
	1992	1993	Increase insurance gross premiums tax rate from 2% to 2.25% (October 1992).	+\$4,000,000
	1999	1999	Decrease insurance gross premiums tax rate from 2.25% to 1.7% (January 1, 1999).	-\$6,000,000
Motor Vehicles:				+ -,,
Motor Vehicle Excise	1970	1970	Rate increased from 3% to 4%	+\$1,700,000
	1973	1973	Rate increased from 4% to 5%	+\$1,900,000
	1976	1976	Rate increased from 5% to 6%	+\$1,800,000
			New rates and weight classes instituted	+\$550,000
			4% 2799 lbs. or less	, ,
			5% 2800-3400 lbs.	
			6% 3500-3999 lbs.	
			7% 4000 lbs. or over	
	1983	1983	New rates and weight classes instituted (June 1983)	+\$2,000,000
	1,00	1,00	6% 3499 lbs. or less	. 42,000,000
			7% 3500 lbs. or over	
	1990	1990	Exempted taxicabs from motor vehicle excise tax and required new	
	1,,,0	1,,,0	residents to pay excise tax on motor vehicles transferred into the District	+\$700,000
	1999	1999	Repeal requirement that new residents pay second excise tax on vehicles	+\$700,000
	1,,,,	1,,,,	transferred into the District. 4/	-\$12,000,000
Motor Vehicle Fuel	1972	1972	Rate increased 1¢/gallon to 8¢/gallon	+\$2,400,000
violor venicie ruci	1976	1976	Rate increased 2¢/gallon to 10¢/gallon	+\$4,825,000
	1980	1980	Rate increased from 10¢/gallon to 11¢/gallon	+\$1,512,000
	1980	1981	Rate increased from 11¢/gallon to 13¢/gallon (June 1981)	+\$1,512,000
	1980	1982	The gasoline excise tax rate becomes indexed to the consumer price urban index.	+\$3,024,000
	1960	1962		+\$1,600,000
	1983	1983	Rate increased from 13¢/gallon to 14¢/gallon after indexing. (June 1982) Rate increased from 14¢/gallon to 14.8¢/gallon (June 1983)	+\$1,800,000
	1984	1984	Rate increased from 14.8¢/gallon to 15.5¢ (June 1984)	+\$1,100,000
	1985	1985	Rate set at 15.5¢ (June 1985), indexing repealed.	-\$1,700,000
	1989	1989	Rate increased from 15.5¢/gallon to 18¢/gallon (June 1989)	+\$4,000,000
	1992	1993	Rate increased from 18¢/gallon to 20¢/gallon (October 1992)	+\$3,300,000
	1994	1994	Temporary rate increase (4 months) from 20¢/gallon to 22.5¢/gallon (June 1994)	+\$1,300,000
Motor Vehicle Registration	1970	1970	Rate increased from \$22.50 on cars under 3500 lbs. to \$30.00 on cars under	141,500,000
violor veinele Registration	1970	1970	3400 lbs.; rate increased on cars over 3500 lbs. from \$32.50 to \$50.00 on cars	
			over 3400 lbs.; rates on other vehicles increased by one-third.	+\$3,300,000
	1976	1976		+\$3,300,000
	1970	1976	Rate increased on cars under 3400 lbs. from \$30.00 to \$40.00; rate increased on cars over 3400 lbs. from \$50.00 to \$67.00; rates on other vehicles increased by one-thin	4 . \$2.950.000
			New rates and weight classes instituted \$50 2800 lbs. or less	+\$5,000,000
			\$57 2801-3499 lbs.	
			\$83 3500-3999 lbs.	
			\$96 4000 lbs. and over	
	16	10==	Rates on other vehicles increased by one-third.	ha
	1977	1977	New reduced rates and weight classes instituted	-\$3,900,000
			\$35 2799 lbs. or less	
			\$42 2800-3499 lbs.	
			\$68 3500-3999 lbs.	
			\$76 4000 lbs. and over	

The revenue effect of each law change is mutually exclusive.
 Increased tax change effective on a calendar year basis.
 Revenue impact represents increase in general fund (local) revenues.
 Estimate provided by Department of Public Works.

Revenue Source	Fiscal Year of Enactment	Fiscal Year Effective	Change	Full Year Revenue Effect at Time of Change 1/
Motor Vehicle Registration	1983	1983	New rates and weight classes instituted	+\$1,400,000
(continued)	1703	1783	\$45 3499 lbs. or less	+\$1,4UU,UUU
(continued)			\$78 3500 lbs. and over	
	1991	1991	New rates instituted	+\$3,000,000
			\$55 3499 lbs. or less	
			\$88 3500 lbs. and over	
Property Taxes:				
Personal Property	1970	1970	Rates increased 10¢/\$100 of assessed value to \$2.40/\$100	+\$700,000
	1973		Phase-out of tax applicable to business inventories	
			FY 1973 2/3 rate applies	-\$2,600,000
			FY 1974 1/3 rate applies	-\$5,300,000
			FY 1975 phase-out completed	-\$8,500,000
	1976	1977	Rate increased 42¢/\$100 of assessed value to \$2.82/\$100	+\$2,300,000
	1977	1977	Payment due with return-July 31-	** ***
	1980	1980	Rate increased 28¢/\$100 of assessed value to \$3.10/\$100	+\$2,200,000
	1987	1987	Created a retroactive personal property	
			tax credit to all telecommunications providers	
-	1992	1992	Pote impressed \$2.10/\$100 of accessed value to \$2.40/\$100 (July 1002)	¢6 400 000
	1992	1992	Rate increased \$3.10/\$100 of assessed value to \$3.40/\$100 (July 1992)	+\$6,400,000
	1999	2000	Provide \$50,000 taxable value threshold (revenue impact is full year for FY 2001)	-\$6,000,000
	1999	2000	Accelerated depreciation for computer equipment	, ,,,,,,,,,
			(revenue impact is full year for FY2001)	-\$9,000,000
Real Estate	1970	1970	Rate increased 10¢/\$100 of assessed value to \$3.10/\$100	+\$3,600,000
	1972	1972	Rate increased 10¢/\$100 of assessed value to \$3.20/\$100	+\$3,900,000
	1973	1973	Rate increased 12¢/\$100 of assessed value to \$3.32/\$100	+\$4,700,000
	1975	1975	Assessment level increased to 100% of estimated market value; rate dropped to \$1.83/\$100	_
	1976	1976	First half real estate payment advanced to September 15 from	-
	1770	1770	September 30	_
	1977	1978	Single-family homes, condominiums and cooperatives assessed value	
	1777	1770	reduced by \$6,000	-\$11,650,000
	1977	1978	Single-family homes, condominiums and cooperatives must be owner-	+,,
			occupied in order to receive \$6,000 Homestead Exemption	-\$8,500,000
	1978	1979	Increased owner-occupied single-family homes, condominiums and	, ,
			cooperatives Homestead Exemption to \$9,000	-\$3,000,000
	1979	1979	Three classifications of real property established for determining the	
			applicable property tax rate	-
	1980	1980	Class 3 rate increased 30¢/\$100 of assessed value to \$2.13/\$100	+\$15,800,000
	1982	1982	A quinquennial (every 5 years) filing permitted for the \$9,000	
			homeowner's exemption	-
	1984	1984	Class 3 rate decreased 10¢/\$100 of assessed value to \$2.03/\$100	-\$11,200,000
	1984	1984	Public space rental formula changed from a fractional assessment basis	
			(65%) to a method based upon the property's full assessed value	+\$900,000
	1985	1985	Four classifications of real property established for determining the	
			applicable property tax rate	-\$3,400,000
	1986	1987	Established a July Real Property Tax Sale in addition to the annual	
	1006	1007	January Real Property Tax Sale	-
	1986	1987	Retired Senior Citizens, 65 or older, receive 50% reduction on real	¢c 400 000
	1007	1007	property taxes (January 1987)	-\$6,400,000
	1987	1987	Increased owner-occupied single-family homes, condominiums and cooperatives Homestead Exemption to \$15,000 (January 1987)	-\$6,500,000
	1000	1989	Increased owner-occupied single-family homes, condominiums and	-\$0,300,000
	1988	1969	cooperatives Homestead Exemption to \$22,000 (June 1988)	-\$7,600,000
	1989	1989	Class 1 rate decreased from \$1.22 to \$1.06	-\$14,900,000
	1990	1990	Increased owner-occupied single-family homes, condominiums and	-917,200,000
	1990	1/20	Cooperatives Homestead Exemption to \$30,000 (June 1990)	-\$7,100,000
	1990	1990	Class 1 rate decreased from \$1.06 to \$0.96	-\$14,100,000
	1770	1,,,0	Established Class 5 for unimproved vacant land at rate of \$3.29.	+\$5,800,000
	1992	1992	Expand eligibility for senior citizen property tax relief and cap	1 45,000,000
	-222		eligibility at \$100,000 income (July 1992)	+\$2,500,000
	1993	1994	Increase Class 5 rate from \$3.29 to \$5.00	+\$5,100,000
	1995	1995	Calculated rates go into effect for the 1st half of year. Class 1 rate = \$0.96;	/ , 0
			Class 2 rate = $$1.62$; Class 3 = $$1.81$; Class 4 = $$2.31$; Class 5 = $$5.35$.	+\$40,100,000
	1997	1999	Began triennial assessment, reassessing real property once every three years	. , ,

Revenue Source	Fiscal Year of	Fiscal Year Effective	Change	Full Year Revenue Effect at Time
	Enactment		Change	of Change 1/
Real Estate – continued	1999	2000	Reduce Class 2 rate as follows:	412 100 000
			FY 2000: from \$1.54 to \$1.34	-\$13,100,000
			FY 2001: from \$1.34 to \$1.15	-\$25,600,000
			FY 2002: from \$1.15 to \$0.96	-\$38,100,000
			Reduce Class 4 rate as follows:	#15000000
			FY 2000: from \$2.15 to \$2.05	-\$16,800,000
			FY 2001: from \$2.05 to \$1.95	-\$33,500,000
			FY 2002: from \$1.95 to \$1.85	-\$50,300,000
			Reduce Class 5 rate as follows:	¢4.100.000
			FY 2000: from \$5.00 to \$2.05	-\$4,100,000
			FY 2001: from \$2.05 to \$1.95	-\$4,300,000
			FY 2002: from \$1.95 to \$1.85	-\$4,400,000
Public Utilities	1973	1973	Rate increased from 4% to 5%	+\$3,000,000
	1976	1976	Rate increased from 5% to 6%	+\$4,800,000
	1977	1977	Payment due with return August 1	
	1983	1983	Rate increased from 6% to 6.7%	+\$8,200,000
	1983	1984	Repealed estimated reporting and payment provisions	-
	1983	1984	Payment dates changed from annually on or before August 1 to	-
			monthly by the 20th day of each month	
	1983	1983	Rate increased from 6% to 6.7%	+\$8,200,000
	1983	1984	Repealed estimated reporting and payment provisions	
	1983	1984	Payment dates changed from annually on or before August 1 to	
			monthly by the 20th day of each month	
	1987	1987	Gross receipts tax imposed on all telecommunications service providers	+\$20,000,000
	1989	1989	Gross receipts tax repealed on all telecommunications service providers	-\$20,000,000
	1991	1991	Gross receipts tax rate increased, by temporary legislation, from 6.7	
			percent to 9.7 percent (estimated revenue effect is for three months)	+\$12,200,000
	1992	1992	Gross receipts tax rate of 9.7 percent made permanent (April 1992)	+\$44,300,000
	1992	1992	Expand public utility gross receipts tax to include cable TV, video,	, ,,
			radio and other services (July 1992)	+\$4,200,000
	1994	1994	Gross receipts rate increases to 10% (June 1994)	+\$3,900,000
	1994	1994	Expand gross receipts tax to heating oil (June 1994)	+\$1,800,000
	1997	1997	Tax base expanded to 3rd party providers of natural gas	+\$800,000
	1998	1999	Tax base narrowed to exclude gross receipts tax collected from consumers.	-\$14,000,000
Toll Telecommunications	1989	1989	Effective March 3, 1989 toll telecommunications gross charges	φ1-1,000,000
			subjected to a tax of 6.7 percent. This replaced the gross receipts	
			tax on all telecommunication service providers and also provided	
			partial sales and personal property tax exemptions.	+\$20,000,000
	1991	1991	Toll telecommunication gross charges tax rate increased, by	1 φ20,000,000
	1,,,,1	1,,,1	temporary legislation, from 6.7 percent to 9.7 percent.	+\$2,500,000
	1992	1992	Gross charges tax rate of 9.7 percent made permanent (April 1992)	+\$10,000,000
	1994	1994	Gross charges tax rate increases to 10% (June 1994)	+\$2,700,000
	1996	1997	Toll telecommunications taxbase expanded to include commercial mobile	+\$2,700,000
	1990	1997	cellular service.	+\$4,800,000
	1998	1999		
	1998	1999	Toll telecommunications taxbase for commercial mobile cellular service changed. Tax base narrowed to exclude gross receipts tax collected from consumers.	-\$500,000 -\$5,000,000
Deed Recordation and Transfe		1999	Rate increased from .5% to 1% of consideration	+\$1,200,000
Recordation and Transic	1978	1978	An excise tax is imposed on the transferrers of residential real property containing	191,200,000
Recordation	1976	1976	4 or fewer dwelling units at rates ranging from 3% to 97% of gain	
	1079	1002		-
	1978	1982	Excise tax on transferrers of residential real property expired	- ¢1 000 000
	1980	1980	Tax base expanded to include construction loan deeds of trust on	+\$1,000,000
	1000	1000	mortgages permanent loan deeds of trust on mortgages and purchase mortgages.	. #4 000 000
	1989	1989	Rate increased from 1% to 1.1% of consideration	+\$4,000,000
	1989	1990	Established recordation tax on transfers of economic interests at the rate of 2.2%	+\$5,500,000
TF. 6	1994	1994	Expand recordation tax base to security interest (June 1994)	+\$1,800,000
Transfer	1980	1980	A Transfer tax is imposed on each transfer of real property at the	. #10 000 000
	40.5	40.55	rate of 1% of the consideration paid	+\$12,000,000
	1989	1989	Rate increased from 1% to 1.1% of consideration	+\$3,300,000
Sales and Use	1970	1970	Rate of 5% imposed on all restaurant meals and sales of alcoholic beverages	+\$3,400,000
			Rate of 2% applies to:	
			Groceries—with a sales tax credit for residents earning	
			below \$6,000	+\$1,300,000
			I are dury and dury algoring	. 61 000 000
			Laundry and dry cleaning Non-prescription drugs	+\$1,000,000 +\$350,000

^{1/} The revenue effect of each law change is mutually exclusive.

	Fiscal Year of	Fiscal Year				Full Year Revenu Effect at Time
Revenue Source	Enactment		Change			of Change 1/
Sales and Use-continued	1970	1970	Rate of 4% applies			
				iters and public events		+\$700,000
			Repair of tangible			+\$2,200,000
				ssing and mailing services		+\$800,000
	1972	1972	Rentals of linens a			+\$125,000
	1973	1973		sed from 4% to 5%	ana and and most arrown t	+\$13,000,000
			meals increased fro	odations sale of alcoholic bev	erages and restaurant	42 900 000
	1976	1976			nd dry alconing avampted	+\$2,800,000 -\$6,800,000
	1970	1970	-	scription drugs and laundry a	nd dry cleaning exempted.	
				cing subject to tax at 8%		+\$300,000 +\$3,300,000
				ring increased from 8% to 12	0/4	+\$1,600,000
			-	odations, restaurant meals inc		+\$9,400,000
	1980	1980			f motor fuel subjected to genera	
	1700	1,00			odations increased from 8% to	
				ery, chewing gum and soft dri		1070 1927,000,000
					lity trailers subject to 8% use to	ax +\$2,500,000
	1981	1981		fuel sales repealed effective	-	-\$13,000,000
	1982	1982		ket 8% tax on candy, confecti		415,000,000
			and soft drinks.	3,	3 , 88	-\$2,500,000
	1984	1985		ems sold in vending machine	s increased from 2% to 6%	+\$1,000,000
	1987	1987			ty to federal food stamp laws	-
				f Columbia sales exemption		
			under Internal Rev	enue Code 501(c)(4)		-
	1989	1989	Established tax on	real property services at the	ate of 6%	+\$10,000,000
	1989	1989			ion services at the rate of 6%	+\$25,000,000
	1989	1989		credit of 1% of sales		-\$1,600,000
	1989	1989	Restaurant meals a	nd sales of alcoholic beverag	es increased from 8% to 9%	+\$11,000,000
	1989	1989	Transient accomm	odations increased from 10%	to 11%	+\$7,000,000
	1990	1990	Clarified tax on se	rvices not to apply to services	provided to affiliated compan-	ies -\$1,000,000
	1991	1991	Sales tax on reside	ntial utility services repealed	by temporary	
				ated revenue effect is for thre		-\$3,900,000
	1992	1992	Increase sales tax i	ate on off-sale alcoholic beve	erages from 6 percent	
			to 8 percent (June	1992)		+\$2,900,000
	1992	1992		ax base to include laundering		+\$3,000,000
	1992	1992		es tax on residential services		-\$15,700,000
			•	ax base to include the following	ng:	
	1993	1993	Snack foods			+\$2,700,000
	1993	1993		unications services		+\$7,600,000
	1993	1993	All publications ar			+\$2,700,000
	1994	1994		se general sales tax rate to 7%		+\$10,800,000
	1994	1995	•	e general sales tax rate to 5.7		-\$9,200,000
	1994	1994		ase to courier services (June		+\$2,000,000
	1994	1994	-	ase to employment services (+\$2,500,000
	1994	1995			nsumption increased from 9%	(4) (412 400 000
	1004	1005			vention Center (October 1, 199	
	1994	1995			2.5% to finance the Convention	
	1999	1999	Center (October 1,		in angage founding for new conv	+\$10,960,000
	1999	1999			increase funding for new conv stel sales tax reduced from 10.5	
			10.05% (October 1		nei sales tax reduced from 10.5	-\$4,000,000
	1999	2000		et access eliminated.		-\$4,000,000
Hotel Occupancy	1978	1978		ax of \$.80 per room per day	enacted	+\$3,000,000
rioter occupancy	1982	1983		1 per room per day	- Indicated	+\$938,000
	1989	1989		n \$1 to \$1.50 per room per d	av	+\$3,000,000
	1999	1999		cupancy tax (October 1, 1998		-\$5,400,000
Special Programs:	1985	1985	D.C. Rental Housi). <i>=</i> ,	φ5,100,000
-F	1987	1987		ram (July 1, 1987 - Septembe	er 30, 1987) 4/	+\$10,000,000
	1994	1994		fety fee implementation		+\$34,000,000
	1994	1995		nce a downtown sports arena		+\$9,100,000
	1999	2000	Arena Fee rates ch	-		-
			CURREN		NEW RAT	ΓES
			DC Gross	Arena Fee	DC Gross	Arena Fee
			Receipts	Rate	Receipts	Rate
			\$0-\$200K	\$25	\$2M-\$3M	\$1,000
			\$200K-\$500K	\$50	\$3M-\$10M	\$3,300
			\$500K-\$1M	\$100	\$10M-\$15M	\$6,500
			\$1M-\$3M	\$825	over \$15M	\$11,000
			\$3M-\$10M	\$2,500		
			\$10M-\$15M	\$5,000		
			\$15M & over	\$8,400		

The revenue effects of each law change is mutually exclusive.
 Revenue effect represents general fund loss.
 Department of Finance and Revenue required to provide Tax Standing Evaluation Reports.
 Amnesty from penalties and interest for all taxes except real property tax and unemployment compensation. Effective October 1, 1987, penalties and interest for all taxes except real property and unemployment compensation increases.

PART V – FILING AND PAYMENT DATES FY 1999

Alcoholic Beverage Tax

The tax is due by the 15th day of each month on the preceding month's sales.

Cigarette Tax

Payment is made by the purchase of stamps.

Estate Tax

Returns and tax are due 10 months after death of decedent. A District of Columbia Estate Tax Return must be filed if a Federal Estate Tax Return is required to be filed. Generally, the amount of the tax is the credit for state death tax allowed on the federal return.

A penalty of 5% per month, but not more than 25% in the aggregate, of the tax due is imposed for the failure to timely file the return or pay the tax. Interest is assessed on any tax not paid by the due date at the rate of 1.5% per month.

Income Taxes

Corporate and Unincorporated Business Franchise Taxes

Corporate returns are due and payment of the tax must be made on or before the 15th day of the third month following the close of the taxable year. Unincorporated business franchise tax returns are due and payment of tax must be made on or before the 15th day of the fourth month following the close of the taxable year. A penalty of 5%, but not more than 25% in the aggregate, is imposed for failure to timely file returns. Interest is imposed for any tax not paid when due at the rate of 1.5% per month until the tax is paid.

Individual Income Tax

Calendar year returns are due on or before April 15 of the succeeding year while fiscal year returns are due on or before the 15th day of the fourth month following the close of the fiscal year.

The penalty for failure to file a return on time is 5% of the tax due, but not more than 25% in the aggregate. Interest is charged at the rate of 1.5% per month from the due date of the return to the date the tax is paid.

The penalty for failure to file in a timely manner a declaration of estimated tax is 5% per month of the estimated tax, but not more than 25% in the aggregate. Interest is imposed for failure to pay any installment when due at the rate of 1.5% per month.

Employers must withhold District individual income taxes from employees who are subject to the tax. If such withholding is less than \$50 per month, the employer must remit the tax by the last day of the month following the close of the tax year; if withholding is \$50 or more per month, it must be remitted on the 20th day of the following month.

The penalty for failure to file the withholding tax return or to pay the tax when due is 5% of the tax withheld during the reporting period, but not more than 25% in the aggregate. Interest is charged for late payment at the rate of 1.5% per month from the due date of the return to the date the tax is paid.

Insurance Tax

If tax liability is less than \$2,000, the tax must be paid before March 1 of the succeeding calendar year. If tax liability is \$2,000 or more, at least 25% of tax must be paid in each of three installments on or before May 1, July 1 and September 1 of the calendar year in which the taxable income is received. The remainder is due on or before March 1 following the close of the calendar year. A penalty of 8% per month of the tax due is charged for failure too timely pay the insurance tax.

Motor Vehicle Fuel Tax

Reports and tax are due on the 25th day of each month on the preceding month's sales or dispositions.

Motor Vehicle Registration Fee

A staggered motor vehicle registration system went into effect January 1, 1984. Under this system, motorists will pay their registration fees upon assumption of ownership of the vehicle or on an assigned day of the year.

Personal Property Tax

The return, accompanied by the tax payment, is due on or before July 31 of each year on the tangible personal property remaining cost (current value) as of July 1. A penalty of 5% per month, but not more than 25% in the aggregate, is imposed for failure to timely file returns. Interest at the rate of 1.5% per month is charged until the tax is paid.

Real Property Tax

The assessment year begins on January 1 and ends on December 31. Property owners receive notices of proposed assessments on or before the following February 1 and have until April 1 to appeal such assessments before the Assessment Division. If the assessor and the property owner, or party of interest, do not resolve a disputed value, the property owner may proceed to the Board of Real Property Assessments and Appeals (BRPAA). BRPAA will not accept an appeal unless there has first been an appeal to the Assessment Division.

The tax may be paid in full or in two equal installments. One-half the tax is payable on or before March 31 and the other half tax is due on or before September 15. A 10% penalty is imposed for late payment of real estate tax bills. Interest at the rate of 1% per month is charged from the date the tax is due until the date the tax is paid.

Arena Fee

Returns are due on or before June 15, 1999. A 5% per month penalty is imposed for a failure to file a return or pay a tax on time. The penalty is computed on the unpaid tax for each full or partial month, for the period during which the return is not filed or the tax is not paid. The maximum penalty cannot exceed 25% of the tax due.

A 20% penalty for underpayment of the Arena Fee will be imposed if the Office of Tax and Revenue determines that the amount of the Arena Fee that is due exceeds \$2,000. This is in addition to the penalty for failure to file or pay on time noted above.

Interest at the rate of 1.5% per full or partial month (18% annually) is charged on any tax not paid on time. Interest is computed from the due date of the return to the date the tax is paid.

Public Utility Tax

Returns are due on the 20th day of each month on the preceding month's gross receipt. A penalty of 5% per month, but not more than 25% in the aggregate, is charged for failure to file return or pay taxes on time. Interest is charged at the rate of 1.5% per month until the tax is paid.

Recordation Tax

The deed recordation tax is due when the deed is recorded. Each deed must be accompanied by a return before it can be recorded. The penalty for failure to make and file a correct return is 5% per month, but not more than 25% in the aggregate. Interest at the rate of 1/2 of one percent per month is charged on any recordation tax not paid when due.

Real Property Transfer Tax

The transfer tax is due when the deed is recorded and each deed must be accompanied by a transfer tax return. A penalty of 4% of the tax due is imposed for failure to file the transfer tax return. Interest is charged at the rate of 1.25% per month.

Economic Interest Transfer

The economic interest transfer tax is triggered by two elements. These elements are 1) 80% of the assets of a corporation consist of real property located in the District of Columbia, and 2) more than 50% of the controlling interest of the corporation is being

transferred. If these two elements are met then the tax rate is 2.2% of the consideration. The consideration is not always equal to the assessed value of the property. The consideration is what is paid for the interest being transferred. If there is no tangible consideration, then the tax basis will be the assessed value of the property owned by the corporation. The tax is due at the time of recordation.

Sales and Use Taxes

Monthly returns and tax are due on the 20th day of each month following the reporting period. If the due date falls on Saturday, Sunday or a legal holiday, the return is due on the next business day. To avoid a delinquency notice, a return must be filed even if no sales were made or no sales or use tax is due.

An annual return is due on or before January 20th. To avoid delinquency notices, a return must be filed even if no sales were made or no sales or use tax is due.

A penalty of 5% per month, but not more than 25% in the aggregate, is charged for failure to file sales and use tax returns or to pay sales and use taxes on time. Interest is charged at the rate of 1.5% per month until the tax is paid.

There is a 20% penalty on any understatement of taxes due if the understatement exceeds either 10% of the tax determined to be due or \$2,000, whichever is the greater. (Understatement of taxes is the difference between the amount shown on the original or amended return and any greater amount of tax determined to be due as a result of an audit or review.)

Toll Telecommunications Tax

Returns and tax are due on the 20th day of each month on the preceding month's charges. On or before 30 days after the end of the tax year an annual return must be filed.

A penalty of 5% per month, but not more than 25% in the aggregate, is charged for failure to file tax returns or to pay toll telecommunications taxes on time. Interest is charged at the rate of 1.5% per month until the tax is paid.

TABLE 8 DISTRICT OF COLUMBIA RETURNS FILED BY TAX TYPE 1998

TAX	RETURN VOLUME
Individual Income Tax	282,118 1/
Franchise Taxes	48,821 1/
Employer Withholding	311,167 1/2/
Hotel Occupancy	1,649 2/
Personal Property	18,130 1/
Estate	438
Sales and Use	186,207 1/2/
Income Declarations	70,000 3/
Franchise Declarations	19,502 3/
Real Property	180,076 4/
Professional Licenses	54,026 1/
Arena Fee	28,096 1/
Total Volume	1,200,230

- 1/ Returns filed annually.
- 2/ Returns filed monthly.3/ Returns filed quarterly.
- 4/ Tax is due in two equal installments on or before March 31 and on or before September 15 of each year.

THE ECONOMY AND TAX SYSTEM OF THE DISTRICT OF COLUMBIA

APPENDIX 4

PREFACE

The District's economy increasingly depends on the vitality of its private sector and on the decisions that individuals and businesses make about where to live and conduct their work. In this environment, it is important that policymakers and citizens alike know as much about the District's diversifying economy as possible. We hope that this report on major features of the District's economy and tax system will help to fill the need for information in this area.

The report begins with an introduction to the economy of the District of Columbia which discusses trends and future prospects. The economic recovery that began about 2 years ago is, thus far, small and fragile, and its benefits are not distributed equally across the District. The areas of strength in the economy are only weakly connected to the District's tax base, implying that even with economic growth the District may have trouble meeting its revenue needs over the long term.

The remainder of the report is divided into 4 parts:

1. An overview of the D.C. economy, including highlights and charts showing population, employment, gross state product, personal income, inflation, comparison with the Washington Metropolitan Area and the nation, and other indicators. *This section documents the strengthening of the D.C. economy in 1998 and early 1999*.

2. Special analyses:

- a) Employment trends by sector from 1988 to 1998 shows in detail the rise of the District's private service sector to become the leading source of jobs in the District of Columbia.
- b) Employment in the District from a regional and national perspective shows both the decline in the D.C. share of all major regional employment sectors and the linked fortunes of the District and the region.
- c) D.C.'s unique tax system explains why the District's tax base is narrow relative to the size of the economy.
- d) Implications of the emerging D.C. service economy for the D.C. tax system shows the relatively weak contribution that much of the growing part of the District's service economy makes to broadening the tax base. (This occurs because many service industries are not subject to the full range of business taxes and income earned in the District by non-residents cannot be taxed.)
- e) Tax revenues and D.C.'s financial crisis discusses the role of revenues in helping both to cause and resolve D.C.'s financial crisis.

- 3. Insights into the economy from tax information. This section presents information on the value of real property, distribution of income, business structure, and tax base growth from D.C.'s major taxes.
- 4. Statistical series for major economic indicators and revenues dating as far back as 1972.

In subsequent years, special studies will address other areas pertaining to the economy, economic development, and the District's finances. In constructing the report, the Office of Tax and Revenue (OTR) was guided by commonly asked questions for factual information. Some of the information in the report is drawn from OTR sources. These data systems are improving, but, as has been well documented, are not always as complete and reliable as should be the case. General economic data are from government sources, accessed principally through the data services of Standard and Poor's DRI, incorporated.

This report continues to keep in focus some of the issues that have been discussed in several reports and studies since 1977, notably the 1997 Brookings Institution study <u>The Orphaned Capital</u> by Carol O'Cleireacain¹ and <u>Taxing Simply, Taxing Fairly</u>, the 1998 report of the District of Columbia Tax Revision Commission.² The report supplements information that is also discussed in the District's annual operating budget and financial plan³ and the periodic statistical index to District of Columbia services.⁴

¹ Carol O'Cleireacain, <u>The Orphaned Capital: Adopting the Right Revenues for the District of Columbia</u>, Washington D.C.: Brookings Institution Press, 1997.

² District of Columbia Tax Revision Commission, <u>Taxing Simply, Taxing Fairly</u>, Washington D.C.: District of Columbia Tax Revision Commission, 1998.

³ Our City, Our Future: FY 2000 Proposed Operating Budget and Financial Plan, June 1, 1999.

⁴ D.C. Office of Policy and Evaluation, <u>Indices: District of Columbia Statistical Handbook</u>, 1997-1998.

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INTRODUCTION: ECONOMY OF THE DISTRICT OF COLUMBIA Summary of Trends and Outlook

The District's economy took a nose dive in the last decade, with plummeting population and employment, vacant office space and housing, declining property values, and generally a loss of hope in its economic fortunes. Then, about 2 years ago, a booming national economy brought opportunity to the District and the nation. At the same time, new leadership in the District rekindled faith in the District as a place to live, to work, and to earn a positive return on investment. The District is beginning to recover. So far, the recovery is small and fragile, and its benefits are not distributed equally across the District. The areas of strength in the economy are only weakly connected to the District's tax base, implying that even with economic growth the District may have trouble meeting its revenue needs over the long-term.

MAJOR FINDINGS

- ➤ The number of people living in the District continues to decline. Between 1988 and 1998, D.C. population declined by 17% to about 523 thousand residents. During the same period, the population of the Washington Metropolitan Area grew by 13%.
- ➤ The District continues to lose its middle class. The decline in the number of residents was not distributed evenly across income groups. District residency declined most rapidly in the two-earner married couple group; those remaining in D.C. have comparatively higher or lower incomes. The rate of decline is least for the head of household group generally the "working poor" and their incomes did not keep up with inflation.
- ➤ The decline in the number of District residents with jobs has abated. Between 1988 and 1997 the number of employed District residents fell by 25%; however, from first quarter of 1998 to the first quarter of 1999 the number of working residents increased by about 7,000 persons.
- ➤ The number of jobs located in the District fell 9% between 1988 and 1998. The District experienced this decline while the economy of the Washington Metropolitan Area grew, suggesting that the availability of economic opportunities in the region is not a fundamental problem.
- ➤ The economic base of the District is changing. The decisions to downsize employment in both federal and D.C. governments hit the District harder than other jurisdictions. In spite of ¹ these decisions, the D.C. economy has shown some resilience, especially in service-based sectors.

¹ Or perhaps because of federal downsizing. One hypothesis, not yet tested, is that service sector growth is partly a matter of privatizing some activities that used to be produced by government for government use.

LOSING POPULATION AND RESIDENTIAL EMPLOYMENT

The District's population continued a decline now many decades old, falling 17% in 1988-98 from 629,300 to 522,600.² The outflow of residents aged 16-34 exacerbates the squeeze in the number of D.C. residents working – working residents fell by 78,400 and 25% in 1988-97 (it had been unchanged from 1977-1987) and then rose about 2.5% in 1998.

On the other hand, real personal income per capita and per household in the District did rise in the decade, by 27% on a per capita basis and by 19% on a per household basis. Higher income individuals and households generally are much better off now than 10 years ago, pulling up the overall averages. Lower income households may have lost purchasing power.

EMPLOYMENT OPPORTUNITIES AND THE CHANGING ECONOMIC BASE

The number of jobs in D.C. declined 9% in 1988-98 and has just begun a small rebound. The drop is less harsh than the fall in population and loss of employed residents, suggesting that changes affecting businesses were less severe than those affecting residents.

Four different stages characterize activity in the D.C. economy from 1988 to 1998. The first stage of continued economic growth occurred from 1988-90. This is followed, in 1990-94, by recession concentrated in the traditional private sectors of the economy. Downsizing of the federal and then the District governments added local economic stress starting in 1994. And the District shares a small part of the nation's economic boom beginning in 1997.

² The change in population is dominated by a 50% and 50,000 drop in the number of 16-24 year olds and, secondarily, by the 23% and 30,000 decline in those aged 25-34. All other age groups are smaller by 1998, but the rate is not nearly as dramatic.

Employment Change by Major Sector in D.C., 1988-98

	Overall Growth 1988-90	Recession 1990-94	Governmental Decline 1994-98	
Federal & Local	0.4%	-2.4%	-16.1%	-5.3%
Traditional	-2.9%	-17.7%	-10.2%	-4.1%
Services	5.7%	0.4%	3.6%	4.1%
Health & Legal Services	Growth	Decline	Rebound	Growth
Business & Technical Services	Growth	Flat	Substantial Growth	Growth
Education & Membership Services	Growth	Growth	Decline	Rebound
Hotel & Hospitality	Growth	Decline	Decline	Decline
All D.C. Employment	1.9%	-4.0%	6.6%	-2.1%

The composition of employment reveals some resistance to economic decline. D.C.'s economy is substantially organized around government activity and, across the period, government employment fell by 18%. Yet overall employment dropped at only half the rate.

Private sector jobs declined by 2%. Within this number, service jobs increased by 10% while non-service employment dropped by 28%. The District moved away from printing, trade, finance and real estate, and other traditional employment opportunities and toward business and professional services. By the end of the period, more people are employed in service work in D.C. than in government work.

THE POSITION OF D.C. WITHIN THE ECONOMY OF THE METROPOLITAN AREA

The District remains a substantial component of the Washington Metropolitan Area economy, primarily because the service sector "held on" during the downsizing and out-migration of government employment in recent years. The per capita income of D.C. residents continues to be about 5% higher than in the metropolitan area, and generally jobs in D.C. have higher wages than the average for the region. Today, D.C. is the site of employment for 24 percent of the region's workers.

Yet the strength of D.C. in the region eroded in the last decade with economic growth focused in the suburbs. D.C.'s population and employment shrank while the Metropolitan Area boomed. In 1988, for example, D.C. had 30% of all the jobs – 6% more than today. District employment declined by 9% in the period; regional employment rose 21%. D.C. lost employment share to suburban jurisdictions in <u>all</u> sectors. And within the region, government employment continues to be the District's greatest comparative strength; wholesale and retail trade, construction, and manufacturing continue to be the greatest weaknesses.

Recent growth in professional and other services is not yet sufficient to anchor D.C.'s competitive position in the metropolitan area. In 1994-98, service employment in the

³ For D.C., primarily Construction, Transportation, Public Utilities, Communications, Wholesale & Retail Trade, Real Estate, Finance, Printing and Publishing

Washington Metropolitan Area grew 18.7%, slightly more than the 18.5% in the nation, and 4 times faster than the 4.7% growth in the District. In other private industries, the District is much worse off competitively, with a 9% decline in 1994-98 compared to 6.6% growth in the region and 8.3% in the nation. Not surprisingly, the District's loss of federal government jobs is a painful 13.6%; however, the loss in the metropolitan area also is large at 11.1% and for the nation these jobs dropped 7.7%.

IMPLICATIONS OF D.C.'S POSITION IN THE REGION FOR ECONOMIC DEVELOPMENT

The mystery of how to encourage economic growth and development in the District is difficult to resolve for at least two basic reasons. The first is that we often fail to identify what is meant by "economic development" — development of what and for whom? The second is failure to understand the barriers to economic development in any particular set of circumstances — "throwing money" at a development goal, for example, often does not generate the desired result.

DIFFERENT MEANINGS OF ECONOMIC DEVELOPMENT

Development can mean many things. **First,** if workers can produce more for no more cost, then productivity is increased and should be accompanied by higher wages. **Second,** if the business owner finds a successful new product or business organization, then types of economic activity expand. **Third,** economic development happens when more workers are able to work. **Fourth,** economic development happens when lower-income households have increased opportunities and higher earnings. A **fifth** meaning is that workers and non-workers have better community life, with housing, health care, education, nutrition, safety, justice, environmental quality, and other circumstances that make life satisfactory apart from the things purchased directly with wages, profits, and other incomes.

Increased productivity – Average per capita income in the District has held its own in the period, as compared to the region. This could imply that District residents work in jobs where efficiency growth keeps up with the regional average.

Yet income distribution in D.C. is less equal now than in 1989, meaning that some people get much more income than earlier and others very little more (or even less when measured in purchasing power). The "average," therefore, is misleading — productivity and income rewards are unevenly spread over the resident population. In a sense, economic development occurred in a big way for a small and shrinking part of the base; for others it is hardly noticeable.

Broadening the base of economic activity — The types of economic activity in the District are changing, with less production in the traditional and government sectors and more in the new economy of the service sector. In the last two years, while the new service economy expanded, other sectors in D.C. contracted just as quickly.

Adding to the Base of Employment – While the number of jobs in the District shrank in the 10-year period, the District nonetheless remains a somewhat better place for providing employment than for providing a home. As a share of the region's employment, the District declined in all

categories in the period. Even more, the District's total employment fell while employment was growing overall in the Washington Metropolitan Area. Adding jobs is an obvious target for economic development policy.

Adding jobs to the District is, by itself, an inefficient way of improving resident employment. The earnings of D.C. residents are roughly one-third of the income earned in D.C., suggesting that for every 3 jobs attracted to D.C., only one is occupied by a resident. However the number of employed residents would also increase if better community life could cause:

- More people who work here also to live in D.C.;
- More people in the early working years to stay here; or
- More people who live here to train for the kinds of jobs available in the District.

Better Community Life – The decline in quality of life and public services in the District is extensively documented. An echo of this loss is population decline, marked by loss of residents in prime working-age groups. The working poor are a substantial and comparatively stable group and comprise more than 20% of all D.C. income taxpayers. The monetary wellbeing of families in this category is generally worse than at the start of the 10-year period, and the public services available to them have deteriorated.

Potential to Generate Revenue to Support Service Delivery — With a smaller number of taxpayers supporting a comparatively larger number of public needs, the economic future hinges partly on the ability of economic growth to generate tax revenue for the District of Columbia. The District's potential here is unusually narrow. The tax base is limited by extensive tax exempt property and tax exempt entities; further, the District is not allowed to tax incomes earned here by non-residents. Compared to Maryland, Virginia and the U.S. generally, the District has a very constrained tax base.

Elements of D.C.'s Tax Base Compared to Maryland, Virginia, and the U.S., 1998

	D.C.	MD	VA	US total
Taxable Income as percent of State Product	36%	96%	84%	84%
Employment Income of Residents as percent of Employment Income Earned in Jurisdiction	35%	117%	105%	100%
Retail Sales as percent of:				
Gross State Product	7%	31%	33%	31%
Personal Income	19%	33%	39%	37%
Wage & Salary Employment in Sectors NOT subject to full taxation in D.C.*:				
Percent of total employment	59%	33%	30%	29%
Percent of private employment	35%	17%	14%	16%

^{*}Employment in hospitals, nursing & personal care facilities, education and social services, non-profit organizations, federal, state and local government

Can economic growth and development in the District release the basic constraints of the narrow tax base? The answer is that this is not going to be easy. One reason lies in the open nature of D.C.'s economy. Much of the benefit of economic development IN the District accrues to those OUTSIDE the District, because it takes only a subway stop for secondary benefits to be disbursed elsewhere. Examples of total earnings throughout the D.C. or MD or VA economy from \$1 of new demand in those same jurisdictions are shown below.⁴ The example for Hotels says that another dollar spent on hotel occupancy in D.C. generates total earnings in D.C. of 14 cents. If the additional dollar were spent in Maryland instead, their total earnings would be 61 cents.

\$1 New Demand in:

	D.C.	MD	VA
For Products of:	Brings total	earnings to san	ne state of:
New Construction	\$0.16	\$0.69	\$0.73
Utility Services	\$0.05	\$0.50	\$0.52
Retail Trade	\$0.22	\$0.82	\$0.82
Hotels	\$0.14	\$0.61	\$0.61
Business Services	\$0.26	\$0.88	\$0.88
Health Services	\$0.25	\$0.94	\$0.94

A second reason why economic growth may not solve the tax revenue problem becomes clear by referring back to the type of growth occurring in the District's economy. The growth areas are in services.

Some services are strong revenue generators, but others are not, as illustrated by the chart below. Business taxes (franchise, personal property, sales tax remitted, Arena fee, and withholding remitted) per employee are weak in professional services. This is particularly true in businesses with partners who are not D.C. residents. Nonresident income is not subject to taxation in D.C.

⁴ These examples draw on 1989 data and are developed by the U.S. Bureau of Economic Analysis.

These values do not imply a fixed relationship that, for example, would link a new employee in a D.C. hotel to \$6,903 additional in the tax coffers. Yet they do convey the relative power of growth in different sectors. As the economy shifts from traditional to newer service areas, the District will have a difficult time building a more secure tax base.

Direct & Indirect D.C. Tax Revenue by Industry Sector, 1997

Revenue is reported as average per job in the sector Direct & Indirect Revenue, reported as \$ per job

PROFESSIONAL SERVICES	
Medical	\$532
Membership organizations	\$627
Educational organizations	\$1,233
Legal	\$1,699
Social Services	\$2,096
Computer Services	\$2,215
OTHER SECTORS	
Business and other services	\$3,359
Eating and Drinking Establishments	\$4,406
Real Estate	\$5,691
Hotels	\$6,903
Retail other than Eating and Drinking	\$9,580
Wholesale Trade*	\$6,312
Transportation, Communication and Utilities**	\$8,446

^{*} Does not include special sales and excise taxes.

SUMMARY

The District's economy is changing. In the last decade it has lost some employment, a greater share of residents, and even more employed residents. While employment in governments and traditional sectors declined, some new jobs were created in services, making this a bright spot for D.C. Another bright spot is the recent increase in resident employment and very small rebound of employment in D.C. Yet enthusiasm for an economic renaissance should be kept in check, at least for a while, because in the last 10 years the District's economy has performed very poorly as the regional economy boomed. Current increases, while encouraging, are not proof of renewed competitiveness.

Neither economic growth nor tax policy affects all sectors equally. Unguided by effective policies, development may not produce the tax revenue needed to support adequate, basic public services. The history of the last 10 years suggests that without adequate services, the economy will stagnate. The District will have to plan for both development and service improvements at the same time.

^{**} Does not include gross receipts tax on utility and toll telecommunications services.

OVERVIEW

The District of Columbia's economy showed evidence of an economic turnaround in 1998. The first quarter of 1999 was even better.

- In 1998, employment of D.C. residents increased by about 6,000, the first gain in almost 10 years. In the first quarter of 1999, resident employment is nearly 7,000 greater than one year earlier.
- An 8-year decline in at-place wage and salary employment in the District almost came to a halt in 1998, and the first quarter of 1999 showed a slight increase (400 jobs) over a year earlier. The growth is in private sector services; government and the other parts of the private economy continue to show job losses.
- Modest gains in inflation-adjusted personal income occurred in 1998, and the rate of growth was even greater for the first quarter of 1999. Estimated growth in gross state product shows a similar pattern.¹
- The declines in the population and the estimated number of households in 1998, 1% and 0.5 percent respectively, were the smallest in a decade.
- Inflation in 1998 was lower than in any of the past 25 years.

The District's economy still has a long way to go to become healthy. Although the national economy is in the midst of a record-setting economic expansion and national unemployment levels are the lowest in years, growth in the District's economy is modest, and unemployment is still well above the national average. Even the strongest part of the District's economy, its service sector, is experiencing rates of growth below that of the national and Washington Metropolitan Area economies.

Looking ahead, there are reasons to anticipate that economic growth could gather more momentum.

• The national and regional economies, which exert enormous influence on the District's economy, are expected to do well. Although they forecast that the rate of growth in the national economy will decline in 2000 or 2001, the Congressional Budget Office, the Office of Management and Budget, and two national forecasting services used by OTR² consider a recession to be unlikely in the next few years.

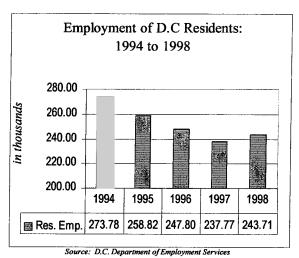
¹ Actual data from the U.S. Bureau of Economic Analysis is available only up to 1997 for gross state product. Estimates used here are by Standard and Poor's DRI, inc., a national and regional economic forecasting and data service.

² The two economic forecasting services are Standard and Poor's DRI, inc., and RFA Associates.

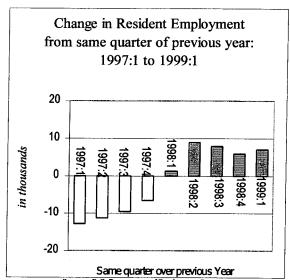
- Some of the forces that dragged the District's economy down in the past decade have abated. Large cutbacks in District government and federal employment appear to have ended, as have significant reductions in many non-service areas of the private sector.
- Commercial and residential real estate markets, which surged in 1998, continue to show strength.
- The District appears to be becoming a more attractive place to live and work as services begin to improve.
- Federal economic incentives will remain in place through the year 2000. These incentives include a \$5,000 tax credit for first time D.C. home buyers, and, in designated development zones, zero capital gains and a \$3,000 wage credit for businesses employing D.C. residents.
- A number of major projects are underway, including a new Convention Center, renewal of the Navy Yard site, and new investment along the Georgia Avenue and New York Avenue corridors.
- The Tax Parity Act of 1999, by lowering taxes on households and businesses, is a first step in bringing the District's tax rates into line with those in the surrounding jurisdictions. Lower tax rates, together with service improvements, will make the District more attractive to residents and businesses and allow the District to reap the advantages of its central location and cultural heritage.

ECONOMIC HIGHLIGHTS

- More D.C residents are working: resident employment increased by 5,943 in 1998.
- About 7,000 more D.C. residents were working in the first quarter of 1999 than one year earlier.

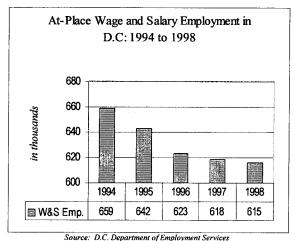


U.S. Department of Employment Services
U.S. Department of Labor accessed through S&P's DRI
Note: Includes D.C. residents employed in the suburbs and residents
who are sole proprietors,self-employed, and (excluding foreign nationals) employed in embassies
and international organizations.

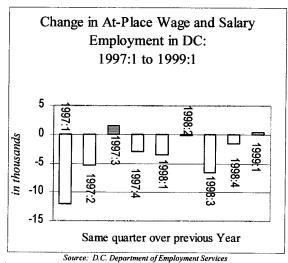


Source: D.C. Department of Employment Services
U.S. Department of Labor accessed through S&P's DRI
Note: Includes D.C. residents employed in the suburbs and residents
who are sole proprietors, self-employed, and (excluding foreign nationals) employed in embassies
and international organizations.

• In the first quarter of 1999 there were 400 more jobs than in the same quarter a year earlier.



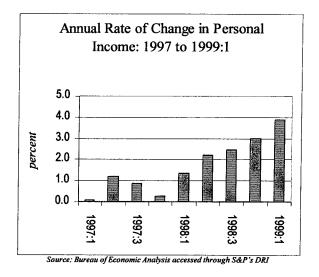
Source: D.C. Department of Employment Services
U.S. Department of Labor accessed through S&P's DRI
Note: Includes FT and PT workers. Data does not include sole proprietors, self-employed, military
or persons employed in embassies or international organizations.

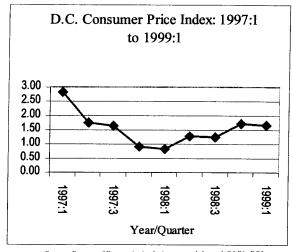


U.S. Department of Labor accessed through S&P's DRI

Note: Includes FT and PT workers. Data does not include sole proprietors self-employed, military
or persons employed in embassies or international organizations.

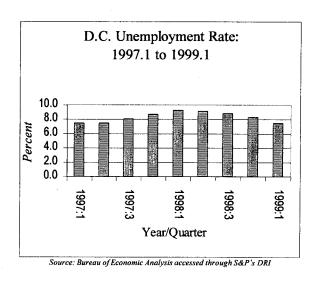
- The rate of increase of real personal income, 4.0% on an annual basis in the first quarter of 1999, has increased each quarter since the 4th quarter of 1998.
- The rate of inflation has increased over the past year, but remains low at about 2.0% in the first quarter of 1999.

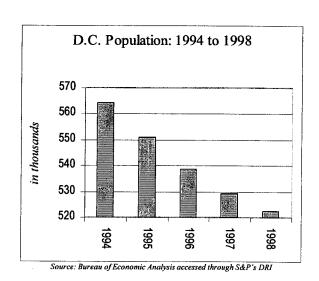




Source: Bureau of Economic Analysis accessed through S&P's DRI

- Compared to a year, unemployment has fallen each quarter for the past four quarters, and was down to 7.3% in the first quarter of 1999.
- Population continued to decline in 1998, but the decline was less than in the preceding years.

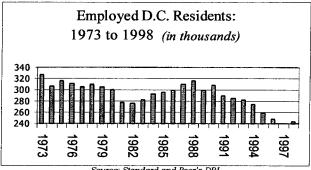




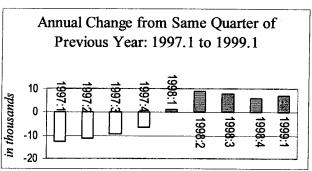
THE D.C. ECONOMY AT A GLANCE

RESIDENT EMPLOYMENT, LABOR FORCE, AND UNEMPLOYMENT

- Resident employment increased 15% from 1982 to 1988 (an average increase of over 6,500 per year), then fell 22% in the decade from 1988 to 1998 (an average decrease of about 7,000 per year).
- Resident employment grew by 6,000 from 1997 to 1998.

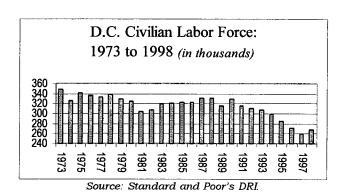


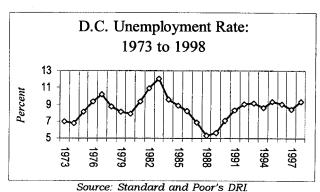
Source: Standard and Poor's DRI Note: Includes D.C. residents who are sole proprietors, self-employed, and (excluding foreign nationals) employed in embassies and international organizations.



Source: Standard and Poor's DRI.
Note: Includes D.C. residents who are sole proprietors,
self-employed, and (excluding foreign nationals)
employed in embassies and international organizations.

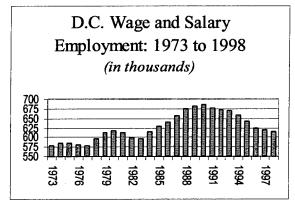
- The labor force declined 22% from 1990 to 1997, but increased by 7,000 in 1998.
- In the latter part of the 1990's, the unemployment rate held steady at about 8% as both employment and labor force fell.





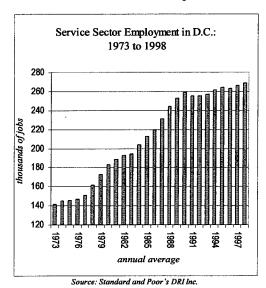
AT PLACE EMPLOYMENT

- At-place employment increased by more than 15% from 1983 to 1990 (an average increase of almost 13,000 per year), then fell 10% from 1990 to 1998 (an average loss of about 9,000 per year).
- During the past 25 years, private sector services have increased and other sectors decreased.



Source: Standard and Poor's DRI.

Note: Excludes sole proprietors, self-employed, military,
and embassies and international organizations.

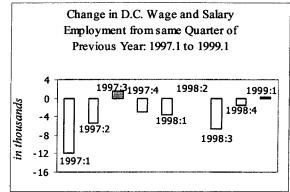


Employment in D.C.:
1973 to 1998 (in thousands)

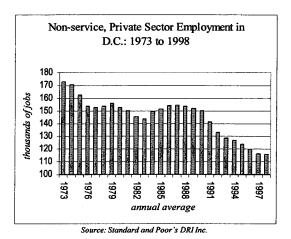
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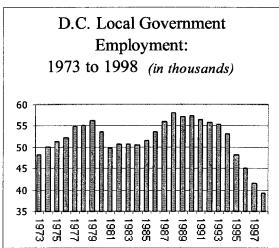
Federal Government





Source: Standard and Poor's DRI Inc.

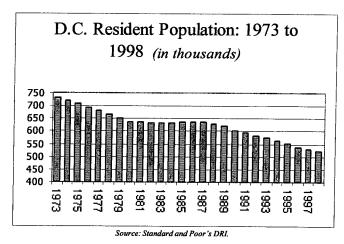




Source: Standard and Poor's DRI Inc.

POPULATION

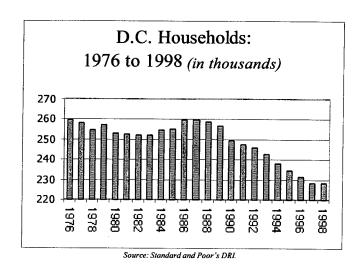
- Population declined 30% from 1973 to 1998, an average decrease of 8,000 per year over the 25 year period.
- The decline in the District's population has slowed since 1995.

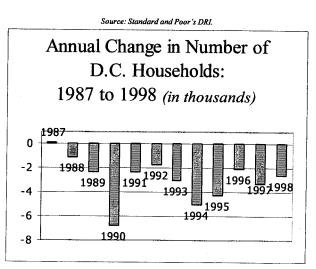


Change in D.C Population:
1973 to 1998
(in thousands from previous year)

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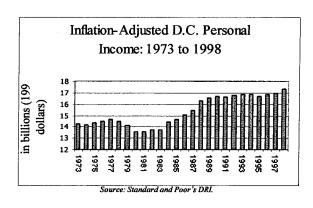
• The number of households declined 14% from 1987 to 1998, an average decrease of almost 3,000 per year.

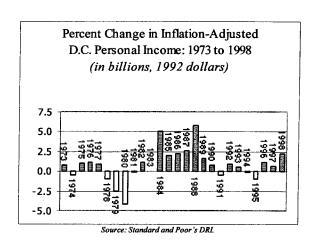


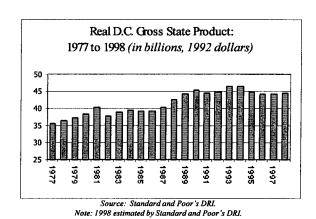


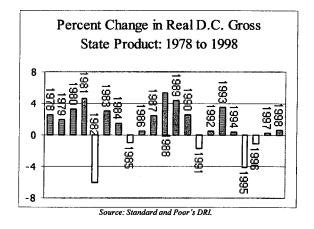
ECONOMIC AGGREGATES

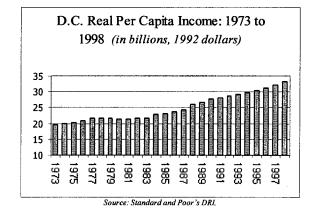
- Recent gains in Real D.C. Personal Income and Gross State Product signal the end of the 1990's recession.
- The 1998 estimated growth in real personal income is close to the rate that occurred in some years in the 1980's.



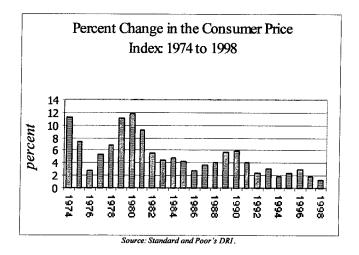






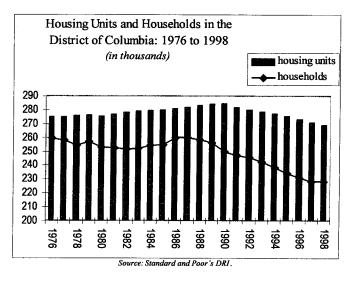


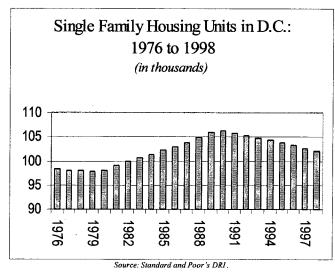
 Per capital real personal income in 1998 was 67% higher than in 1973. • In recent years inflation has declined to the lowest point over the 25-year period

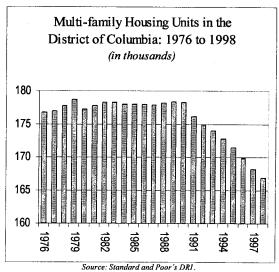


HOUSING

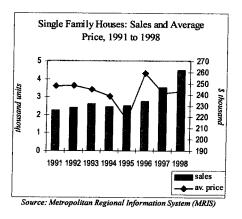
• After 1990, the stock of housing declined, but less than the number of households.

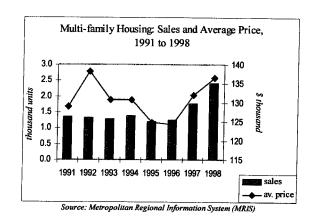


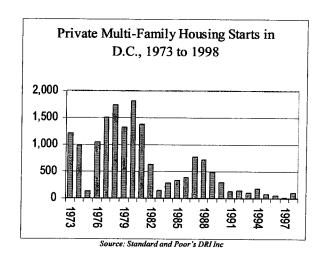


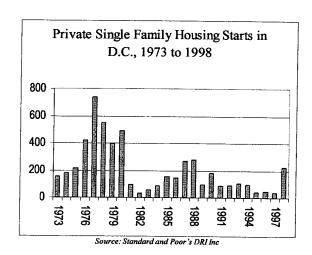


• In 1998 sales of both single family and multi-family housing units increased by 27% and 36% respectively over 1997, the second year in a row of significant increase.









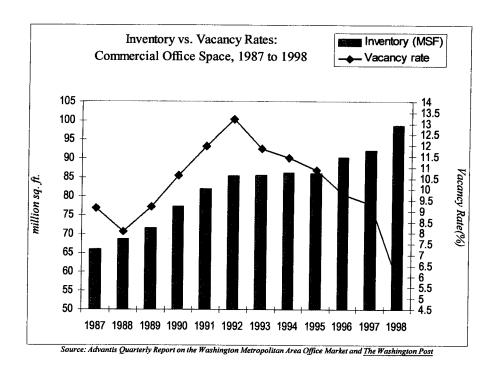
Sales and Housing Starts for Single and Multi-Family Housing 1991 - 1998

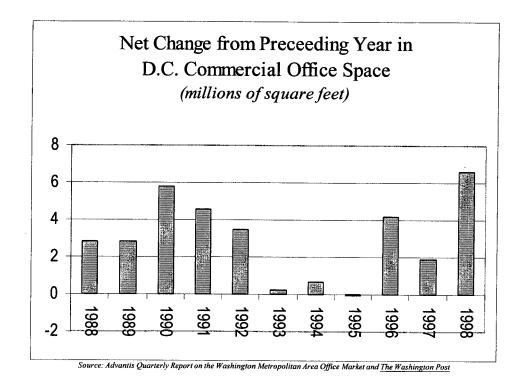
	1994	1995	1996	1997	1998
Single Family					
sales	2,420	2,490	2,725	3,510	4,474
new starts	92	38	46	35	224
Multi-family					
sales	1,390	1,205	1,255	1,770	2,400
new starts	177	82	52	16	104
Total					
sales	3,810	3,695	3,980	5,280	6,874
new starts	269	119	98	51	327

Source: Metropolitan Regional Information System (MRIS) and Standard and Poor's DRI Inc. (new starts)

COMMERCIAL OFFICE SPACE

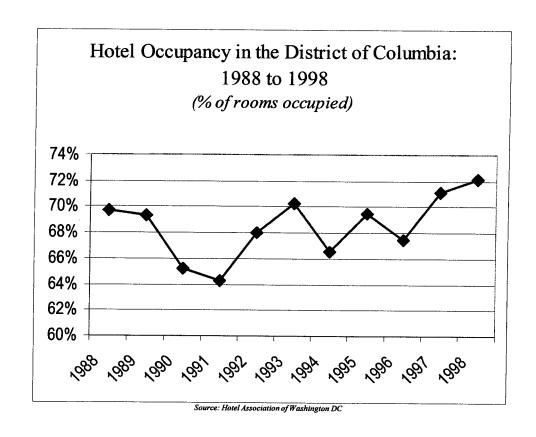
- The supply of commercial office space increased by over 6 million square feet in 1998, and vacancy rates are down.
- The number of square feet of rentable office space increased by 13.1 million square feet (15%) from 1995 to the first quarter 1999.

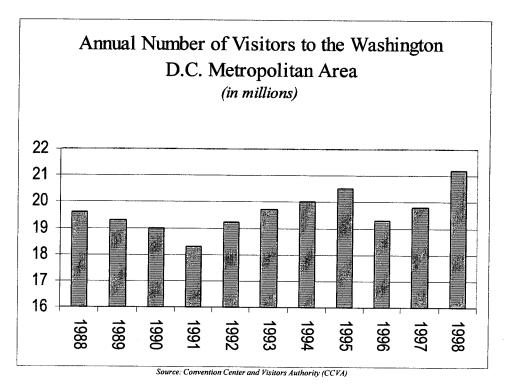




HOSPITALITY AND TOURISM

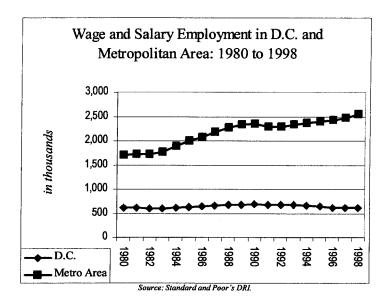
• In 1998, tourist visits to the D.C. metropolitan area and hotel occupancy rates were greater than any year in the past decade.



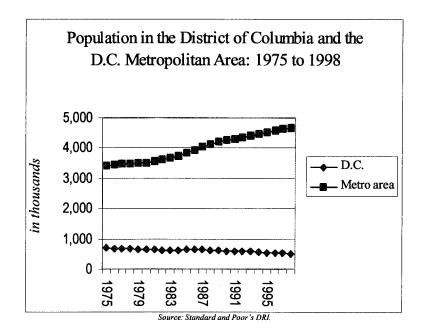


D.C. AND THE REGIONAL AND NATIONAL ECONOMIES

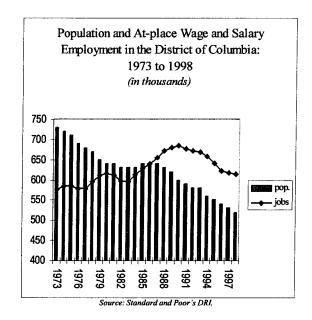
- The level of at-place wage and salary employment in the District of Columbia was almost the same in 1998 as in 1980—about 615,000 jobs. Meanwhile, employment in the Washington Metropolitan Area increased by 839,000 (49%) in those 18 years.
- D.C.'s share of the region's jobs fell from 36 % in 1980 to 24% in 1998.



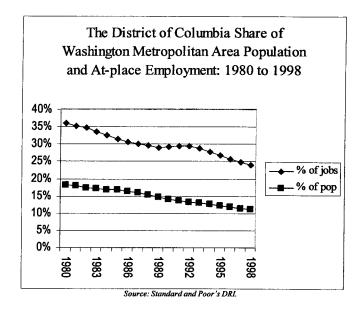
- From 1980 to 1998, D.C. population fell by115,000 (18%), while the population of the Washington Metropolitan Area increased by 1.1 million (33%).
- D.C.'s share of the region's population fell from 18% in 1980 to 11% in 1998.



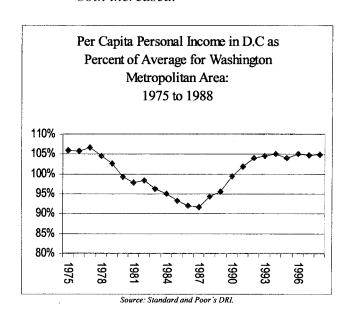
• Over the past two decades, the District has fared better as a place to work than to live and now has more jobs than residents...

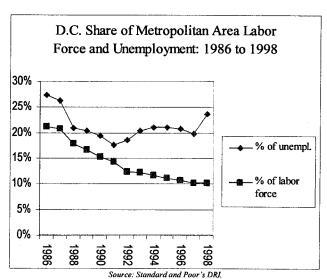


...Although the District's share of regional jobs and population have both declined steadily.

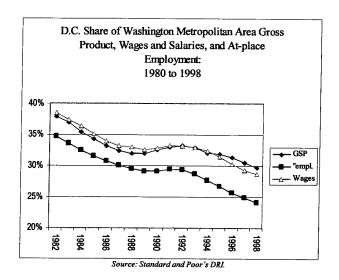


- D.C.'s per capita income and unemployment are both above the average for the region.
- Since 1990, the District's per capita income and unemployment relative to the region have both increased.

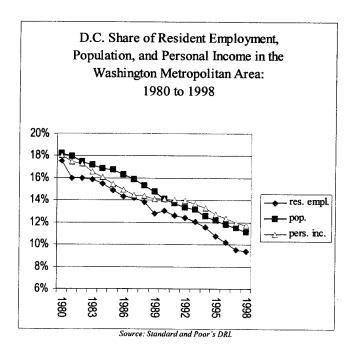




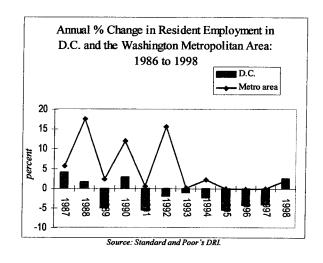
- The D.C. share of regional gross state product and at-place wages and salaries are both somewhat higher than of employment, indicating the presence of high value employment in the District.
- The decline in regional share of each measure shows the same pattern, although the proportionate decline in employment has been greater.

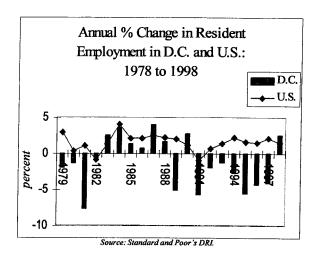


- The declines in D.C.'s regional share of population, resident income, and personal income show the same general pattern, although the proportionate decline in employment has been greater; in the late 1980's the share of personal income began to track more closely to population than to resident employment.
- The D.C. share of personal income is somewhat higher than of resident employment, suggesting the presence in D.C. of significant amounts of high value employment and non-wage sources of income.

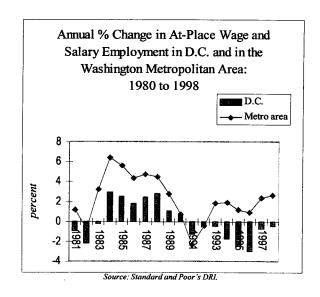


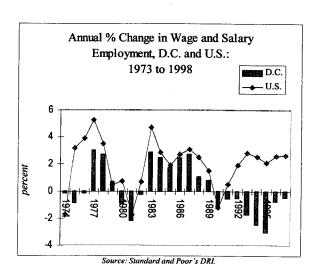
• Annual Percentage Change in D.C.'s resident employment compared to the Washington Metropolitan Area and the U.S.



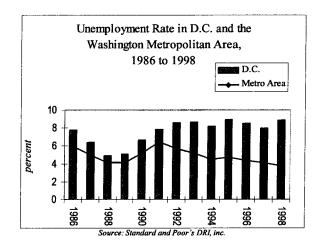


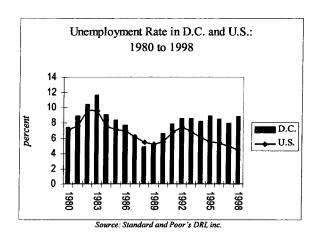
• Annual Percentage Change in D.C.'s at-place employment compared to the Washington Metropolitan Area and the U.S.



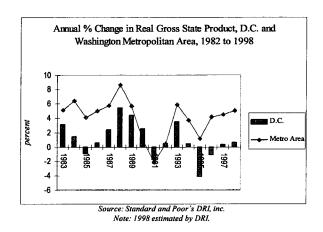


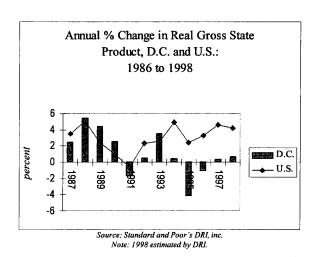
• D.C.'s unemployment rate compared to the Washington Metropolitan Area and the U.S.



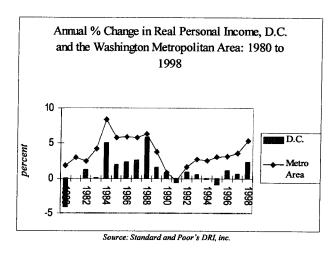


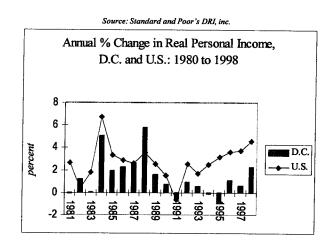
• Annual percentage change in D.C.'s Real Gross State Product compared to the Washington Metropolitan Area and the U.S.



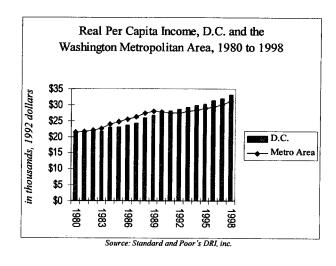


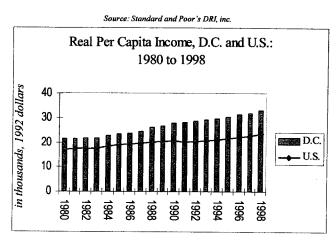
• Annual percentage change in D.C.'s Personal Income compared to the Washington Metropolitan Area and the U.S.





• Real per capita income in the District of Columbia compared to the Washington Metropoli tan Area and the U.S.





SPECIAL ANALYSIS 1: D.C. EMPLOYMENT TRENDS BY SECTOR: 1988 to 1998

In the decade from 1988 to 1998, overall at-place employment trends in the District of Columbia were negative, in sharp contrast with the Washington metropolitan area and the nation. D.C. employment dropped by 58,000 (-8.6%), while metropolitan area employment grew by 285,000, a 12.6% increase. Nationwide, employment increased by 16.2%. At year-end 1998, the decline in D.C.'s total employment had just about come to a halt, but evidence of significant employment growth had yet to appear.

Despite the downward trend in total employment, private sector service employment in the District increased by almost 27,000 jobs over the decade. Yet, even in this sector, the District experienced a declining share of regional and national growth.

A closer look at D.C. employment from 1988 to 1998¹ reveals both structural changes and cyclical fluctuation in the economy. Employment grew from 1988 to 1990, at which time the District experienced a cyclical downturn that affected primarily the private sector. Then, in 1994, when the rest of the country was beginning the longest era of peacetime growth in the nation's history, major reductions in both Federal and local government employment undercut the District's economy. As a result of service sector growth and public sector cutbacks, service industries now employ more people in Washington D.C. than does government. In the past four years business and technical services have been the leader in service industry growth. In one industry - engineering and management services - the District's percentage growth in 1996-1998 slightly exceeded that of the region and the nation.

In summary:

- D.C. experienced negative structural changes in employment in 1988-1998, principally
 - loss of private sector, non-service jobs, and
 - loss of government jobs.
- The growth in service sector jobs over the period happened in spite of both
 - structural change, and
 - the cyclical impact of the recession that began in 1990.

¹ Employment data for the District of Columbia are gathered by the District's Department of Employment Services in cooperation with the U.S. Bureau of Labor Statistics. Each month DOES publishes data on wage and salary employment in the District, including by industry segment. The data is largely derived from the unemployment compensation reporting.

The data for 1998 are subject to benchmark revisions in March of 2000. This data is subject to reporting and sampling errors, and does not include information on military, sole proprietors, self-employed, household workers, or persons employed in embassies and international organizations.

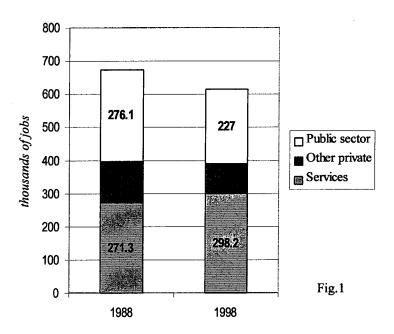
In this analysis, employment in eating and drinking establishments is classified as part of hospitality services rather than retail trade.

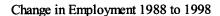
OVER THE PAST DECADE SERVICES HAVE BECOME THE JOB LEADER

Over the decade from 1988 to 1998:

- Total at-place employment declined from 673,600 in 1988 to 615,400 in 1998. (See figure 1.)
- The public sector lost more jobs than the private sector. (See figure 2.)
- D.C.'s service sector share of total employment rose from 40.3% in 1988 to 48.5% in 1998. (See figure 3.)

Total Wage and Salary Employment in the District of Columbia, 1988 and 1998

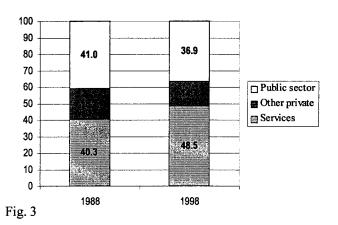




40 26.9 30 20 10 thousands of jobs 0 ■ Services Other private -10 ☐ Public -20 -30 -40 -35.7 -50 -49.1 -60

Fig. 2 For details, Appendix tables A-1 and A-2.

Percentage Distribution of Employment, 1988 and 1998



CHANGES IN INDUSTRY SECTORS DURING THREE TIME PERIODS

From the point of view of the D.C. economy and employment, three distinct changes occurred across the decade from 1988 to 1998. (See Figure 4 and tables 1 and 2.)

- (1) Employment growth, 1988 to 1990. The increase from 1988 to 1990 was 12,500 jobs. These were the last two years of the significant expansion of the District economy that created 90,000 net new jobs from 1983 to 1990 (an average of almost 13,000 per year).²
- (2) Loss of private sector, non-service employment, 1990 to 1994. This period began with a recession and saw an overall decrease of 27,300 jobs, principally due to a drop of 21,700 in private sector employment other than services.³
- (3) Loss of public sector employment, 1994 to 1998. Employment decreased by another 43,400 jobs, an amount almost identical to the 43,500 drop in public sector employment.⁴

Table 1. Change in Employment in the D.C. Economy During 3 Time Periods from 1988 to 1998

	Change in number of jobs ('000)		
Sector	1988 to 1990	1990 to 1994	1994 to 1998
Services	15.4	1.0	10.5
Other private	-3.7	-21.7	-10.3
Subtotal, private	11.7	-20.7	0.2
Public sector	1.2	-6.8	-43.5
Total	12.5	-27.3	-43.4

Source: D.C. Department of Employment Services

Table 2. Percent Change in Employment in the D.C. Economy During 3 Time Periods from 1988 to 1998

	Percent change from		
Sector	1988 to 1990	1990 to 1994	1994 to 1998
Services	5.7%	0.4%	3.6%
Other private	-2.9	-17.7	-10.2
Subtotal, private	2.9	-5.1	0.1
Public sector	0.4	-2.4	-16.1
Total	1.9	-4.0	-6.6

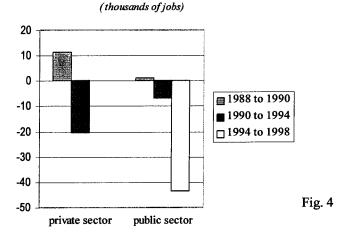
Source: D.C. Department of Employment Services

² Inflation-adjusted gross state product grew at an average annual rate of 3.4% per year over this two-year period.

³ Inflation-adjusted gross state product grew at an annual average of 0.7% over this four year period.

⁴ Inflation-adjusted gross state product grew at an annual average of 1.2% per year over this four-year period—greater than in the preceding four years but considerably below the rate of growth in the 1988 to 1990 period.

Change in Employment by Sector and Time Period: 1998 to 1998



SERVICE SECTOR

Service sector employment increased during each of the three periods – most strongly in the two pre-recession years and only very slightly from 1990 to 1994. Although employment increased in 10 of the 14 service industries during the 1988 to 1998 period, the composition of growth within the service economy also changed over the decade. (See figure 5 and table 3.)

- Health and legal services, the largest growth sector from 1988 to 1990, showed no net in crease from 1990 to 1998.
- Business and technical services became the leading source of growth in the 1994 to 1998 period. In the 1988 to 1990 period, 8% of the 15,400-job growth in the service industry occurred in business and technical services. In contrast, growth in this sector was 100% of the 10,500-job growth in services from 1994 to 1998.
- Educational and membership organizations accounted for 37% of service industry growth in 1988 to 1990 and far outpaced service sector growth from 1990 to 1994. From 1994 to 1998, however, there was a net decline of 1,000 jobs in this category.
- Three sectors (legal, management and engineering, and other services) followed a cyclical pattern: growth from 1988 to 1990, decline through 1994, followed by increases again from 1994 to 1998.

Service Employment in the District of Columbia: 1988, 1990, 1994, and 1998

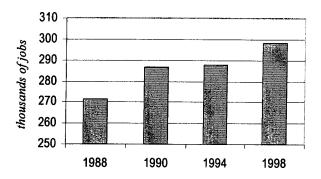


Fig. 5

Table 3. Changes in District Service Sector Employment By Industry Category: 1988 to 1998

L	Change in number of jobs ('000)		
Category and Sector	1988 to 1990	1990 to 1994	1994 to 1998
Legal and medical			
Health	2.9	-0.5	-0.1
Legal	3.2	-1.3	1.2
subtotal	6.1	-1.8	1.1
Education and organizations			
Educational	2.0	1.4	0.3
Social Services	1.9	2.3	0.1
Membership organizations	1.8	3.1	-1.4
subtotal	5.7	6.8	-1.0
Business and technical			
Computer and Data Processing	0.4	0.4	3.0
Other business	1.6	1.4	1.4
Management and engineering	1.6	-0.8	3.3
Services to Buildings	-1.2	-2.6	-0.1
Personnel supply	-1.1	1.8	2.8
subtotal	1.3	0.1	10.5
Hospitality			
Hotels	1.5	-1.9	-0.8
Eating and Drinking Establishments	0.4	-1.6	-1.7
subtotal	1.9	-3.5	-2.5
Other Services			
Personal Services	-0.4	-0.2	-0.1
subtotal	0.4	-0.5	2.3
TOTAL	15.4	1.0	10.5

Source: D.C. Department of Employment Services

NON-SERVICE COMPONENT OF THE PRIVATE SECTOR

The number of jobs in the non-service component of the private sector dropped in all three periods. Both cyclical and structural changes are at work.

- Sixty one percent of the decline over the decade occurred in the 4 years following the 1990 downturn, reflecting, in part, the cyclical impact of the recession. (See figure 6 and table 4.)
- Most of the 35,700 jobs lost in the non-service part of the private sector were lost in 7 industries in which employment decreased by more than 33%.
- The decade-long pattern of decline mirrors several trends that are changing the struc ture of employment and production in the U.S. as a whole. These include a shift away from goods and toward service products, and decreased vertical integration in some traditional sectors such as public utilities.

Non-Service Employment in the D.C. Private Sector: 1988, 1990, 1994, and 1998

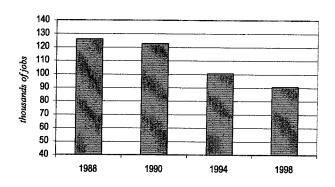


Fig 6

Table 4. Changes in District Non-Service Private Sector Employment: 1988 to 1998

	Change in number of jobs ('000)		
Category and Sector	1988 to 1990	1990 to 1994	1994 to 1998
Printing	-0.2	-2.0	0.3
Other Manufacturing	-0.4	-0.7	-0.2
Construction	0.4	-5.4	-0.1
Transportation	-0.1	-1.0	-2.6
Public Utilities and Communications	-0.9	-2.2	-2.1
Wholesale trade	-0.4	-2.6	-0.8
Retail Trade	-2.0	-4.7	-2.1
Real Estate	-0.8	0.2	-0.6
Finance	0.7	-3.3	-1.5
Total	-3.7	-21.7	-10.3

Source: D.C. Department of Employment Services

PUBLIC SECTOR

With the exception of federal employment from 1988 to 1990, public sector employment decreased throughout the 1988 to 1998 period. (See figure 7 and table 5.)

- Eighty nine percent of the decrease in public sector employment over the decade occurred in the 1994 to 1998 period. This results from policy actions taken in the public sector to reduce the size and cost of government services.
- The Federal government accounted for 62% of the 49,100 loss of public sector jobs; 38% of the job loss was in District government and public transit employment.

Public Sector Employment in the District of Columbia: 1988, 1990, 1994, and 1998

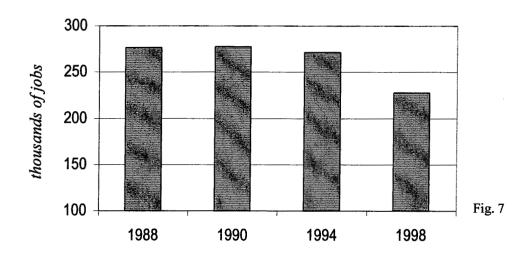


Table 5. Changes in District of Columbia Public Sector Employment: 1988 to 1998

	Change	('000)	
Category and Sector	1988 to 1990	1990 to 1994	1994 to 1998
Federal Government	1.8	-2.6	-29.6
District Government	-0.7	-3.8	-13.4
Public Transit	0.1	-0.4	-0.5
Total	1.2	-6.8	-43.5

Source: D.C. Department of Employment Services

Appendix A-1. Wage and Salary Employment in the District of Columbia by Major Sector, 1988 to 1998 (Annual average in thousands)

			Change from	1988 to 1998
Category	1988	1998	Number of jobs	% change
GOVERNMENT	276.1	227.0	-49.1	-17.8%
Federal	218.2	187.8	-30.4	-13.9%
D.C.	53.2	35.3	-17.9	-33.6%
Public transit	4.7	3.9	-0.8	-17.0%
PRIVATE SECTOR SERVICES	271.3	298.2	26.9	9.9%
Health and Legal	62.2	67.6	5.4	8.7%
Health	35.4	37.7	2.3	6.5%
Legal	26.8	29.9	3.1	11.6%
Education and organizational	72.7	84.2	11.5	15.8%
Educational	29.5	33.2	3.7	12.5%
Social Services	11.1	15.4	4.3	38.7%
Membership organizations	32.1	35.6	3.5	10.9%
Business and Technical	80.1	92.0	11.9	14.9%
Services to buildings	15.0	11.1	-3.9	-26.0%
Personnel supply	8.9	12.4	3.5	39.9%
Computer and data processing	5.2	9.0	3.8	73.1%
Other business	9.9	14.3	4.4	44.4%
Management and engineering	41.1	45.2	4.1	10.0%
Hospitality (1)	43.1	39.0	-4.1	-9.5%
Hotels	15.6	14.4	-1.2	-7.7%
Eating and drinking establish.	27.5	24.6	-2.9	-10.6%
Other	13.2	15.4	2.2	16.7%
Personnel services	3.8	3.1	0.7	-18.4%
Other services	9.4	12.3	2.9	30.8%
OTHER PRIVATE SECTOR	126.0	90.3	-35.7	-28.3%
Manufacturing	16.4	12.6	-3.8	-23.2%
Construction	14.0	8.9	-5.1	-36.4%
Transportation	9.4	5.7	-3.7	-39.4%
Public utilities & communication	15.7	10.5	-5.2	-33.1%
Trade	36.2	23.6	-12.6	-34.8%
Wholesale trade	8.9	5.1	-3.8	-32.2%
Retail trade	27.3	18.5	-8.8	-32.2%
Finance and Real Estate	34.3	29.0	-5.3	-15.4%
Real Estate	10.6	9.4	-1.2	-11.3%
Finance	23.7	19.6	-4.1	-17.3%
TOTAL	673.6	615.4	-68.2	-8.6%

Source: D.C. Department of Employment Services

Note: (1) Eating and drinking establishments are qualified as part of hospitality services not part of retail trade.

Appendix A-2. Twenty-Six Industrial Sectors of the D.C. Economy Classified by the Percentage Change in Wage and Salary Employment from 1988 to 1998.

EMPLOYMENT INCREASE FROM 1988 TO 1998

Services

Health (2,300 jobs, 6.5 %)

Legal (3,100 jobs, 11.6%)

Educational (3,700 jobs, 12.5%)

Social Services (4,300 jobs, 38.7%)

Membership organizations (3,500 jobs, 10.9%)

Personnel supply (3,500 jobs, 39.3%)

Computer and data processing (3,800jobs, 73.1%)

Other business (4,400 jobs, 44.4%)

Management and engineering (4,100 jobs, 10.0%)

Other Services (2,900 jobs, 30.8%)

EMPLOYMENT DECREASE OF LESS THAN 25% FROM 1988 TO 1998

Services

Hotels (-1,200 jobs, -7.7%)

Eating and drinking establishments (-2,900 jobs, -10.6%)

Personal services (-700 jobs, -18.4%)

Other private

Printing (-2,500 jobs, -19.2%)

Real estate (-1,200 jobs, -11.3%)

Finance (-4,100 jobs, -17.3%)

Public sector

Federal government (-30,400 jobs, -13.9%)

Public transit (-800 jobs, -17.0%)

EMPLOYMENT DECREASE OF MORE THAN 25% FROM 1988 TO 1998

Services

Services to buildings (-3,900 jobs, -26.0%)

Other private

Other manufacturing (-1,300 jobs, -39.4%)

Construction (-5,100 jobs, -36.4%)

Transportation (-3,700 jobs, -39.4%)

Communication and public utilities (-5,200 jobs, -33.1%)

Wholesale trade (-3,800 jobs, -42.7%)

Retail trade (-8,800 jobs, -32.2%)

Public sector

D.C. Government (-17,900 jobs, -33.6%)

Source: D.C. Department of Employment Services

SPECIAL ANALYSIS 2: A REGIONAL PERSPECTIVE ON D.C. EMPLOYMENT

Washington, D.C. is the central city of the nation's 5th largest metropolitan area, an area that accounts for about 2 percent of the nation's population and employment. With about 24% of the atplace employment in the region, the District is home to approximately 0.5% of the nation's jobs.

Compared to the nation as a whole, the jobs in the District and the Washington metropolitan area have a concentration in the federal government and service sectors. The District's share of regional employment is also greatest in these two areas.

During the 1988 to 1998 period, the District's relative share of employment continued to decline.

- From 1988 to 1998, District employment fell 8.6%, while that of the region increased by 21%.
- Overall, the District's share of regional employment fell from 30% to 24%.
- The share of regional wage and salary employment located in the District of Columbia *declined in all major sectors*.

Although the District share of employment has declined steadily, the health of the District and regional economies has been linked. When the District economy did better, so did the regional one. In the years since 1980, when employment in the District increased, the rate of growth in the rest of the metropolitan area has also been higher relative to the national economy.

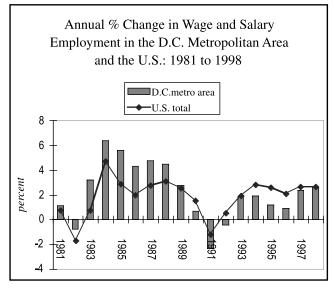
CHARACTERISTICS OF THE REGIONAL ECONOMY

As indicated, the Washington Metropolitan Area contains about 2% of the nation's jobs. As shown in table 1:

- The region's employment share is greater than the national average in two sectors: federal employment (12%) and services (2.7%).
- The region's share is the least in manufacturing (0.6%) and wholesale trade (1.2%).
- From 1988 to 1998, the Washington Metropolitan Area share of national employment fell slightly in all sectors except for federal employment.
- In the 1994 to 1998 period, the region's percentage increase in service employment (18.7%) is about equal to that of the nation. The growth in service employment in the Washington Metropolitan Area was less than the nation's from 1988 through 1994.

• The growth in private sector employment outside of services lagged that of the nation throughout the past decade.

Sector	Washington Metro area share of total U.S. employment, 1998 (percent of U.S. total)	Change from 1988 to 1998 in Washington Metro area share of national employment
Public Sector		
Federal	12.0%	0.4%
State and local	1.4	-0.1
Private		
Manufacturing	0.6	0.0
Construction	2.2	-1.1
Transportation and utilities	1.8	-0.2
Finance, insurance and real estate	1.9	-0.2
Wholesale trade	1.2	-0.2
Retail trade	1.8	-0.2
Services	2.7	-0.2
(Health)	(-1.5)	0.0
(Business)	(-3.3)	(-0.4)
(Other)	(-3.0)	(-0.3)
Total public sector	2.9	-0.4
Total private sector	1.9	-0.1
(Services)	(-2.7)	(-0.2)
(Other private)	(-1.4)	(-0.1)
Total all sectors	2	-0.1



D.C.'S SHARE OF REGIONAL EMPLOYMENT

The District accounts for about 24% of wage and salary employment in the region. (See tables 2 through 5.)

- D.C.'s share of metropolitan area employment is greatest in the federal government and services sectors. The District accounts for 56% of the metropolitan area's federal government employment and 27% of the region's service employment.
- The District's share is least in wholesale trade (6%), retail trade (11%), and manufacturing (12%). (The District also has a low share (6%) of construction employment, but this percentage in part reflects the fact that construction firms located in the suburbs generally report their employees there even if they are working on D.C. projects.)
- D.C.'s comparative strength in share of service employment in the metropolitan area is greatest in education (59%) and in other services (34%), and is least in business services (16%).
- The percentage growth in service employment for the District was below both the regional and national percentages throughout the 1988 to 1998 period. In the 2 years from 1996 to 1998, the 11,000 increase in District service sector jobs accounted for 11% of service sector growth in the Washington Metropolitan area.
- Engineering and management service is the only sector in which D.C. growth exceeded regional growth in the two years from 1996 to 1998.
- From 1994 to 1998, the percentage decline in Federal government employment in the District (-13.6%) exceeded the decline in the nation (-7.7%) and in the Washington Metropolitan Area (-11.3%).

Table 2. Total Wage	and Salary Employment	in D.C. and the Washii (in thousands)	ngton Metropolitan Area,	, 1988 and 1998
Sector	1988	1998	chang	je
			amount	%
DC	673.5	615.3	-58.2	-8.6
Rest of region	1,601.1	1,934.5	333.4	20.8
Total	2,274.6	2,549.8	275.2	12.1

Source: Standard and Poor's DRI

	nent in the District of C Nashington Metropolita	•	
	DC as percent of	of regional total	Change in the DC share of regional total
	1988	1998	
Population	15.3%	11.2%	-4.1%
Employment	29.6%	24.1%	-5.5%
Sector			
Public sector			
Federal	59.9%	56.3%	-3.6%
State and local	25.5%	15.8%	-9.7%
Private sector			
Manufacturing	15.7%	12.1%	-3.6%
Construction	8.8%	6.5%	-2.3%
Transportation and			
utilities	23.0%	13.8%	-9.2%
Fire	26.2%	20.7%	-5.5%
Wholesale trade	10.9%	6.3%	-4.6%
Retail trade	14.7%	11.0%	-3.7%
Services	33.7%	27.3%	-6.4%
Total public sector	46.7	39	-7.7
Total private sector	23.6	19.7	-3.9
(Services)	(-33.7)	(-27.3)	(-6.4)
(Other private)	(-16.0)	(-11.9)	(-4.1)

Source: U.S. Bureau of Labor Statistics, accessed through Standard and Poor's DRI, Inc.

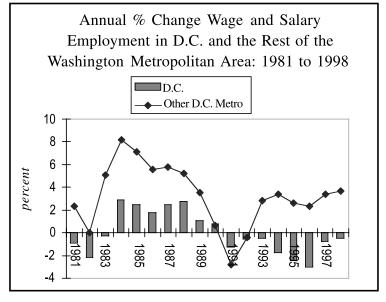


Fig. 2

	Table 4. DC Share of Service Employment in the Washington Metropolitan Area: 1988 and growth from 1996 to 1998			
Sector	DC Share of Regional Service Employment in 1998 (%)	DC Share of the increase in Metropolitan Area Service Employment from 1996 to 1998 (%)		
Health	24.4	-2.2		
Education	58.6	7.4		
Business Services	16.4	8.1		
Engineering and management	25.6	27.4		
Other Services	33.8	14.6		
Total	27.3	11.4		

Source: DC Department of Employment Services

	1988-1990	1990-1994	1994-1998
Federal Employment			
US	2.7%	-6.6%	-7.7%
Wash. Metro area	2.5	-0.6	-11.1
DC	0.8	-1.2	-13.6
Services			
US	9.4	12.9	18.5
Wash. Metro area	7.8	8.2	18.7
DC	6.1	1.0	4.7
Other private			
US	1.5	0.2	8.3
Wash. Metro area	0.4	-5.8	6.6
DC	-2.2	-15.5	-9.5

Source: U.S. Bureau of Labor Statistics, accessed through Standard and Poor's DRI, Inc.

THE LINK BETWEEN EMPLOYMENT GROWTH IN THE DISTRICT AND THE WASHINGTON METROPOLITAN REGION

In the years since 1980, the growths of employment in the District and in the surrounding metropolitan area have been linked. During the 1980's, for example, the region grew faster than the nation as a whole, accounting for more than 2% of national employment growth during these years. During the years in which the region did particularly well, employment in the District increased.

During the 1990's, the region's rate of growth in employment declined, and its share of national employment growth in each of these years fell below 2%. *Employment in the District declined during this period*. Although the connections between the metropolitan area and the

District are complex, the economic health of each part of the region depends to some extent on the other.

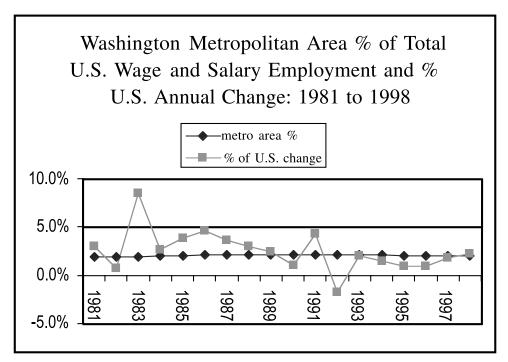


Fig. 3

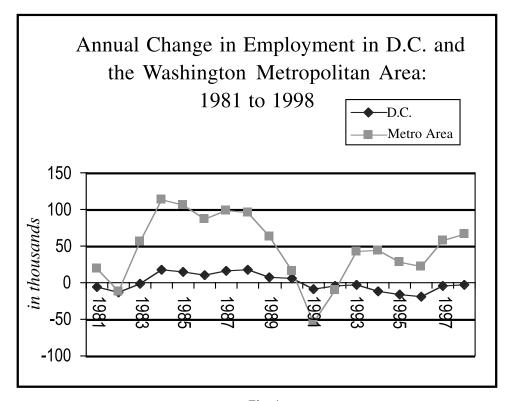


Fig. 4

SPECIAL ANALYSIS 3: D.C.'S UNIQUE TAX SYSTEM

The District of Columbia shares common financial challenges with other central city taxing jurisdictions. It has a high maintenance infrastructure, resulting in public sector costs and taxes per resident that are high compared to many suburban jurisdictions. Also, the benefits of economic development in the city often accrue to surrounding jurisdictions, because many of the dollars earned in central city enterprises are spent in the suburbs. This spending on supplies, consumer purchases, and housing generates additional jobs, but these are most often in the suburbs, not the central city.

In addition to the challenges shared with other central cities, D.C. also must cope with its unique status as a Federal city. Unlike all other cities, it has no state jurisdiction to supplement city revenues. Further, its tax base has a disproportionately high population of tax-exempt entities because of its role as a capital city, and federal legislation imposes other restrictions on the District tax base.

This combination of shared and unique features results in a tax structure that is not competitive with other jurisdictions in the metropolitan area. Over time, this discrepancy, exacerbated by problems in the quality of public services, contributed to the deterioration of the tax base as businesses and individuals "voted with their feet" for jurisdictions with lower taxes. This placed a greater onus on the remaining taxable entities to cover the operating and infrastructure investment costs of the public sector.

In summary, the level of economic activity in the District is potentially large enough to meet the District government's revenue needs. However, because of home rule restrictions and its function as a central city, the District is able to tax only a relatively small portion of this base. The result is high tax burdens that yield a marginal incentive for businesses and residents to locate elsewhere.

SUMMARY OF D.C.'s TAX STRUCTURE

The District of Columbia uses a number of taxes to finance government expenditures. In fiscal year 1998 the District raised \$2.7 billion in local source, general fund tax revenue from a variety of property, income, and transaction taxes. The individual income tax, the largest source, accounts for about 32% of all tax revenue. Real property and sales taxes are the two next largest revenue sources. District taxes account for about 90% of all local source, general fund revenues, with the balance composed of various non-tax revenues, including charges for services, fees, fines, and the D.C. Lottery.

Table 1. DC General Fund Tax Revenues, FY 1998			
Тах	Amount (\$ million)	Percent of all Tax Revenue	
Individual income tax	861.5	31.5%	
Real property taxes	616.9	22.6%	
Sales and use taxes	524.9	19.2%	
All other	728.3	26.7%	
TOTAL	2,731.8	100%	

Source: Office of Tax and Revenue

The types of taxes used by the District are much like those in other jurisdictions.¹ However, the tax system is unique in several respects. Although its population represents just 11% of the D.C. metropolitan area, the District administers the entire range of taxes that elsewhere are divided among state and local governments. About 70% of the revenues collected by the District are from taxes like those administered by states (including individual income, franchise, sales, and inheritance taxes), and about 30% are like those administered by local jurisdictions (real property and real estate transaction taxes).

Lacking a traditional "parent" jurisdiction, the District cannot rely on revenue from a state or county government to supplement revenues raised in the city, as can other central cities. Until recently, the federal government played this "parent" role by making an annual federal payment that accounted for about 20 to 25% of local source revenues. However, under the 1997 National Capital Revitalization and Self-Government Improvement Act, this payment was phased out as the Federal government relieved the City of funding obligations for courts, corrections, some Medicaid matching, and unfunded pension liabilities.²

THE DISTRICT'S TAX BASE

The District's economy is large relative to its population. D.C.'s per capita gross state product in 1998 was about \$103,000, more than 3 times the per capita gross state product for the nation as a whole. The economy, thus, has the potential to provide an ample tax base for the city, if the District were able to levy a full range of property, income, and sales taxes. However, a large portion of this tax base is not available to help pay for city services.

¹ One exception is the tax on the unincorporated income of certain businesses. In most jurisdictions the incomes of unincorporated business owners are taxed as part of the individual income tax.

² The role of the Federal government in the structure of the District's tax system is discussed in both the 1998 report of the D.C. Tax Revision Commission (<u>Taxing Simply, Taxing Fairly</u>, Summary Report to the Mayor and Council of the District of Columbia, June 1998) and the study the year earlier prepared by Carol O'Cleireacain (<u>The Orphaned Capital</u>: <u>Adopting the Right Revenues for the District of Columbia</u>, Washington D.C.: The Brookings Institution, 1997.)

- The Federal government or other tax-exempt entities own 42% of D.C.'s real property.
- The nature of the D.C. economy further narrows the tax base. About two-thirds of the District's employment is in government or services such as health, education, and non-profit organizations that are not subject to most business taxes. This is at least twice the national average and is far higher than in surrounding jurisdictions.³
- Compared to national averages and to surrounding jurisdictions, retail sales in the District also are low in relation to personal income and gross state product.⁴ Of the sales reported by firms registered under the sales and use tax, more than half are exempt from taxation.
- Relative to the size of the economy, the District's personal income (a principal determinant of the tax base for the individual income tax) is far smaller than in surrounding states and throughout the United States. The reason that personal income is so much less than gross state product is that commuting by suburbanites to jobs in the District outweighs commuting of D.C. residents in the other direction. The personal income of D.C. residents is just 36% of gross state product. By contrast, nationally (and in Virginia) it is 84%, and in Maryland the percentage is even higher. Total earnings from wage or self-employment of DC. residents is but 35% of the total earned in the city, a percentage that has been falling over the years. Under the home rule charter, the District cannot tax any of the incomes earned in the city by non-residents. States and many cities can and do exercise this right. In a state, of course, the incomes earned in a city by suburbanites can still be taxed at the state level and remitted to the city as tax revenue, grants, or in-kind program expenditure.

³ Citation

⁴ As reported by Standard and Poor's DRI, inc., retail sales includes eating and drinking places and fuel dealers, but excludes hotels and other services.

⁵ In 1976 the District extended the unincorporated business tax to include professional service firms. D.C. residents received a credit on their individual income tax for amounts paid for professional service entities under the unincorporated business tax. In *Bishop v. the District of Columbia*, case, the courts ruled that the unincorporated business income tax on professional service firms could not be levied under the non-resident income tax restriction in the home rule charter. As a result, income from professional service firms are exempt from the unincorporated tax if more than 80% of gross income is derived from personal services rendered by members of the entity and capital is not a material income-producing factor.

Trends in D.C. Tax Base: 1985 to 1997 D.C. resident's share of all income earned in the District has been falling.

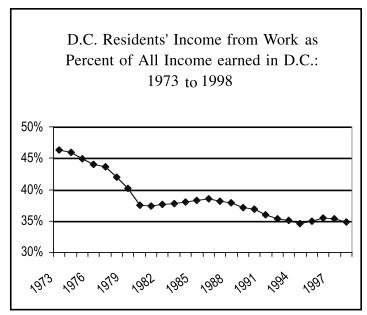


Fig. 1

Table 2. Elements of D.C and the To		Compared to I nited States, 1		ginia,
	DC	MD	VA	US total
Personal Income as % of State Product	36.4%	95.5%	84.1%	84.1%
Resident Income from employment as % of employment income earned in jurisdiction	34.8%	116.8%	104.6%	99.9%
Retail sales as percent of				
Gross state product	7.0%	31.2%	32.7%	31.4%
Personal income	19.3%	32.7%	38.9%	37.4%
Wage and Salary employment in the District in sectors generally <i>not</i> subject to full taxation.*				
Percent of total employment	59.0%	32.7%	29.8%	29.2%
Percent of private employment	35.1%	17.3%	14.2%	15.7%

U.S. government data, accessed through Standard and Poor's DRI

^{*}Employment in hospitals, nursing and personal care facilities, educational services, non-profit organizations, social services, federal government, and state and local government

D.C.'s SIEVE ECONOMY

A consequence of being the central city for the metropolitan area is that many of the benefits of economic expansion in D.C. are spread across the metropolitan area. Tax base increases are among the benefits that are widely shared in the region. When new spending occurs in the District for new construction or new jobs, the circulation of the funds initially spent in D.C. quickly goes beyond the District's boundaries. This occurs because suppliers and employees both tend in large numbers to be located outside of the City, and many District residents also make consumer purchases outside of the District of Columbia. Technically, this feature of the D.C. economy results in small multipliers for earnings and employment associated with increased economic activity. As estimated by the U.S. Bureau of Economic Analysis, comparable multipliers in Maryland and Virginia are generally 3 to 4 times larger than those in the District. Because the District captures less of the re-spending that occurs when economic activity expands, the District has to expand 3 or 4 times as much to achieve a given increase in earnings and employment. Less "bang for the buck" carries over to the tax base as well, because earnings and employment are good indicators of the size of the tax base.

Table 3. Total Earnings Throughout the Economy Per Dollar of New Final Demand In Indicated Sector						
	Jurisdiction					
Sector of final demand	D.C.	Maryland	Virginia			
New Construction	\$0.16	\$0.69	\$0.73			
Printing and Publishing	0.15	0.60	0.63			
Communications	0.14	0.50	0.52			
Utility Services	0.05	0.25	0.28			
Wholesale Trade	0.18	0.69	0.69			
Retail Trade	0.22	0.82	0.82			
Finance	0.24	0.84	0.83			
Real Estate	0.02	0.14	0.13			
Restaurants	0.14	0.61	0.61			
Business Services	0.26	0.88	0.88			
Health Services	0.25	0.94	0.94			
Miscellaneous Services	0.19	0.72	0.70			

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (Rims II), Second Edition, May 1992. The magnitude of the multipliers is somewhat out of date because they are based on 1989 data.

⁶ The technical term for new activity is "new final demand." This includes construction of a new building or sales to the public of goods and services from newly created business activities.

Table 4. Total New Employr Indi	nent in a Jurisdict cated Sector in tha (in number of	at Jurisdiction	inal Demand in
		Jurisdiction	
Sector of final demand	D.C.	Maryland	Virginia
New Construction	5.9	28.6	32.2
Printing and Publishing	4.4	24.6	27.5
Communications	3.4	16.7	19.5
Utility Services	1.3	9.0	10.6
Wholesale Trade	4.7	25.4	27.3
Retail Trade	11.2	44.8	50.2
Finance	7.0	33.3	37.0
Real Estate	0.8	5.9	6.0
Hotels	6.9	37.9	43.2
Restaurants	9.3	41.8	48.4
Business Services	7.0	36.4	38.3
Health Services	7.9	37.3	39.9
Miscellaneous Services	6.7	37.5	39.5

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (Rims II), Second Edition, May 1992. The magnitude of the multipliers shown in the table are too high because of inflation that has occurred since the table was prepared based on the 1989 data.

DISTRICT OF COLUMBIA POLICY DECISIONS

Tax rates in the District reflect past decisions by the District regarding how to distribute the tax burden. Equity considerations as well as the nature of the District economy molded these choices. Commercial real property, utilities, and the hospitality industry play particularly important roles in the D.C. tax system.

Briefly, some of the policy decisions made over the years reflected in the distribution of the District's tax burden are:

• To tax businesses more heavily than individuals. This is most clearly evident in the real property tax. In contrast to all surrounding jurisdictions, the District imposes higher rates on commercial property than on residential property. Commercial property (including hotels and vacant property) accounts for about 38% of assessed value but pays about 62% of the real property tax.

Тах	Amount of Collections (\$ million)	Percent of Total
Property Tax		
Residential real estate	\$217.4	8.5%
Commercial real estate	400.3	15.7
Public space rental	9.5	0.4
Business personal property	60.4	2.4
Income and Franchise Tax		
Individual	753.5	29.5
Corporate franchise	148.1	5.8
Unincorporated business	40	1.6
Transaction taxes		
Sales taxes on hotels, restaurants, alcoholic beverages, parking, and excise tax on alcoholic beverages	281.3	11.0
Gross receipts and business sales taxes on utilities and telephone services	224.2	8.8
Other general sales and use tax on purchases by consumers businesses	218.9	8.6
Real estate transactions	68.1	2.7
Other excise taxes (cigarettes and motor vehicle sales)	49.2	1.9
Insurance premiums	42.6	1.7
Gross receipts (arena fee)	9.0	0.4
Other		
Estate tax	27.3	1.1
TOTAL	\$2,549.8	100%

Detail may not add due to rounding.

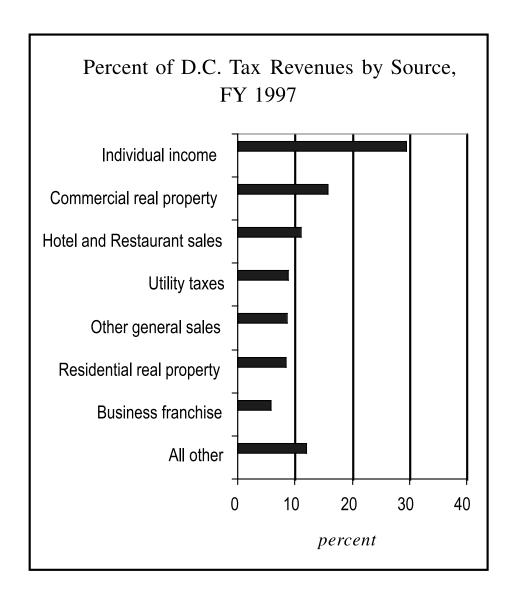
Source: Office of Tax and Revenue

Note: The revenues shown in the table are consistent with the amounts reported in Table A-4 of the CAFR, except they

- include the collections for taxes dedicated to payment of Convention Center bonds (portions of the sales taxes on hotels and restaurants, and portions of the hotel occupancy, corporate franchise, and unincorporated business taxes)
- 2) include the arena fee, and
- 3) exclude write-offs under the discontinued health care provider fee.

The division of commercial real property collections between commercial and residential real estate and the allocation of sales tax receipts to business purchases of utility services has been estimated based on OTR records.

- To favor seniors and homeowners. Homeowners save \$288 per year by virtue of the \$30,000 homestead exemption, and senior citizen homeowners with incomes under \$100,000 have their real property tax cut in half.
- To tax tourist activity. The District's 10% tax on restaurant meals is the highest in the area and the 14.5% tax on hotel rooms is the highest except for Prince Georges County.
- To use indirect taxes to bring in revenue from service firms, non-profit entities, and the government. High commercial real property rates are paid indirectly through rents, and the 10% gross receipts tax on utilities and local and long distance telephone service is paid indirectly through utility and telephone bills.



SPECIAL ANALYSIS 4: THE DISTRICT'S EXPANDING SERVICE ECONOMY AND THE D.C. TAX BASE

Private sector services are the bright spot in the District of Columbia's economy in the 1990's. From 1988 to 1998, service employment in the District increased by almost 27,000 jobs, while employment fell in the rest of the economy. In recent years the service sector also outpaced the rest of the District's economy in wage and salary growth.

The value to the District's tax base from service sector expansion is weakened by two factors. First, many services, particularly professional services, are exempt from most general sales and business taxes. Second, the individual income tax base generated by services is restricted to wages and salaries of employees who are D.C. residents; the District is constrained by Federal law from taxing incomes earned in the city by non-residents.

These observations result from comparing employment by industrial sector in the District with the FY 1997 tax collections generated by those sectors. Taxes included in the analysis are direct business taxes (personal property and franchise taxes), the sales and use tax, and withholding for individual income tax liabilities for employees whom are D.C. residents. The analysis does not attempt to estimate taxes resulting from spin-off economic activity that may be associated with each sector.

The relatively weak connection between many service industries and the District's tax base has three implications for tax and economic policies in the District.

- 1. The composition of job growth matters for the District's tax base. The growth in business and technical service employment that has occurred in the past several years is a favorable development because these industries generate more tax revenue per job than professional services.
- 2. Residency matters for D.C. taxes. The revenue impact of service sector expansion can be much greater if more persons working in the sector also live in the city. Improving city services and otherwise encouraging people to both work and live in the District will expand the tax base. The recent upturn in the number of D.C. residents who are employed is a positive sign for the District's tax base.

¹ See the appendix 1 for the background and methodology of this study. Due to data limitations, the calculations presented here are estimates, not precise measures. For example, some of the revenue received by the District (such as withholding for employees) originates in businesses not located in the District, firms located in the District pay taxes other than those in the study (e.g., real property taxes), and employees who are District residents meet their income tax liabilities through declarations and payments with returns in addition to withholding.

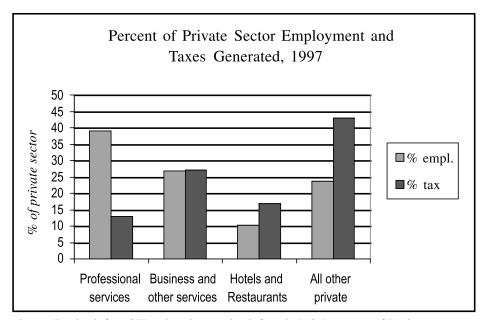
3. Inability to tax any of the income earned in the District by non-residents severely limits the revenue benefits as natural growth increasingly builds the District's service economy.

SERVICE INDUSTRIES VARY GREATLY IN THE REVENUE THEY GENERATE RELATIVE TO THE AMOUNT OF EMPLOYMENT IN THE INDUSTRY

Within the service sector there is a considerable range in the relationship between employment and tax revenues generated. At one extreme, hospitality services - hotels and restaurants - generate a percentage of revenue that is far higher than the share of employment in those sectors. At the other extreme, a group of professional services generates relatively little revenue in proportion to employment share.

Professional services, the largest component of the service sector², accounts for 51% of service employment and 24% of all employment in the D.C. economy. Yet –

- With 30% fewer employees, business and other services generated twice the tax revenue in FY 1997 as professional services.
- Hotels and restaurants generated 30% more tax revenue than the professional services in FY 1997, while employing one quarter of the number of workers as professional services.
- With 60% of the employment of professional services, the non-service part of the private sector generated more than three times as much revenue in 1997.



Source: Tax data is from OTR and employment data is from the D.C. Department of Employment Services. Revenue sources are direct business taxes, sales and use taxes paid or remitted by each sector, and withholding for individual income tax liabilities for employees who are D.C. residents.

-

Fig. 1

² Professional services consists of medical services, legal services, education, social services, and membership organizations.

The average D.C. tax revenue generated per each private sector job in FY 1997 was \$3,243. The average for particular industries ranges considerably as shown in Table 1. The relatively high amounts for restaurants and hotels are due almost entirely to sales taxes.³

Table 1. Average D.C. Tax Revenue Generated Per Job in Selected Service and Non-service Industries, 1997

Industrial Sector	Revenue per job
Professional Services	
Medical	\$532
Membership organizations	627
Educational organizations	1,233
Legal	1,699
Social Services	2,069
Computer Services	2,215
Other Sectors	
Business and other services	3,359
Eating and drinking establishments	4,406
Real Estate	5,691
Hotels	6,903
Retail other than eating and drinking establishments	9,580
Wholesale trade*	6,312
Transportation, Communications, and Utilities**	8,446

Source: Office of Tax and Revenue

THE IMPACT OF RESTRICTIONS ON THE D.C. TAX BASE

In the District's tax structure, the larger the share of withholding in the total revenues generated by that sector, the smaller the total tax per job tends to be in that sector.

- In professional services, where tax revenue per employed person is relatively low (an average of \$1,083 per job), withholding accounted for 80% of all taxes generated in FY 1997.
- By contrast, in the hospitality industry where total tax revenue per job is relatively high (an average of \$5,346 per job), withholding was just 7% of all taxes generated.

^{*}Does not include special sales and excise taxes.

^{**}Does not include gross receipts tax on utility and toll telecommunications services.

³ The amounts shown in the table are industry averages only and do not necessarily indicate the tax revenue that would be associated with any particular firm located in, or that might locate in, the District. For example, revenues would be greater if a greater than average percentage of employees are D.C. residents. Also some firms within the health, education, or social service industry classification are profit-making entities that pay a full range of taxes.

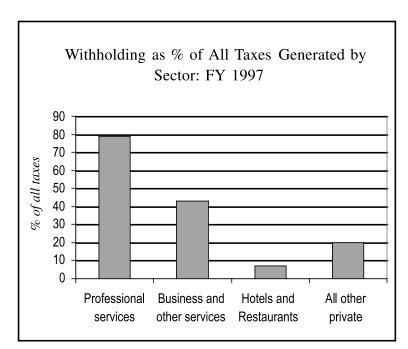


Figure 2 shows income tax withholding as a percent of all taxes paid by economic sector.

Fig. 2

General characteristics of the D.C. tax system contribute to the inverse relationship between the share of withholding and total tax in some service industries. For example: 1) there are many non-profit entities in some services sectors; 2) in many cases, services are exempt from sales taxes; and 3) unincorporated professional service entities are generally exempt from the unincorporated business tax.

Another reason is the impact of residency. If the District was able to tax individual income where it is earned, the revenue per job in service sectors (many of which pay relatively high wages) would be much higher.

Withholding for District individual income tax in 1996 was 7.2% of all wages and salaries earned by District residents.⁴ For the District as a whole, withholding for D.C. residents (including from employment located outside of the District) is 2.2% of **all** wages and salaries generated in the District. A general indicator of the impact of residency requirements on the District tax base is the difference between (1) 7.2% (withholding as a percentage of incomes earned by D.C. residents), and (2) the percent of all wages and salaries earned in the District remitted to the District in withholding.⁵

⁴ The calculation is based on withholding remittances for D.C. residents received for tax year 1996 as reported by the OTR and wage and salary income reported by D.C. residents on their Federal income tax as reported by IRS. The 7.2% seems plausible because the District's tax rates on net taxable income are 6.0% for the first \$10,000, 8.0% for income between \$10,000 and \$20,000, and 9.5% on all income over \$20,000.

⁵ This indicator is only approximate. Some of the amounts withheld for wage and salary income are refunded to the taxpayer, and some withholding reflects funds taxpayers need for meeting other tax liabilities that are not subject to withholding. In addition, income tax liabilities can be met by declarations or payments with returns, which are paid directly by the individual and not remitted by the employer.

The impact of residency on withholding originating from difference industrial sectors varies by industry. For example, as shown in Table 3 below, D.C. withholding as a percent of wages and salaries generated by the industry is close to 1% or less for some professional services and for government, suggesting that a relatively high percentage of employees in these industries live outside of the District. By contrast, D.C. withholding as a percent of all wages and salaries is above 2.2% in trade and social services.

Table 3. Withholding for D.C. Individual Income Taxes for Tax Year 1997 as a Percentage of all Wage and Salary Income Originating in the District of Columbia in 1997 in Selected Industries.

Sector	Income tax withholding for D.C. residents as percentage of all wage and salary income originating in D.C.
Service and Sectors	
Medical	1.2%
Legal	1.7%
Computer	2.1%
Membership organizations	0.8%
Social Services	6.9%
Other Service	
Government	0.9%
Finance, insurance, and real estate	1.4%
Construction	2.2%
Manufacturing	1.2%
Trade	4.0%

Source of data for calculations: IRS, U.S. Department of Labor, and OTR

Notes: (1) Total withholding for D.C. individual income taxes as a percentage of all wage and
salary income earned by D.C. residents as reported to the IRS* for Tax Year 1996 was 7.2%.

(2) Withholding includes amounts remitted to the District on behalf of District residents
who are employed outside of the District of Columbia.

SPECIAL ANALYSIS 5: TAX REVENUE AND D.C.'s FINANCIAL CRISIS

Decreases in the rate of tax revenue growth contributed to the D.C. financial crisis that led in 1995 to the establishment of the Financial Responsibility and Management Assistance Authority – and revenue flow improvements have played a major role in helping to resolve this crisis.

- Revenue growth slowed dramatically after FY 1990. Adjusted for inflation, revenues declined during the FY 1990 to FY 1996 period. The slowdown in revenues reflected both the District's economic downturn and a sharp fall-off in the relationship of D.C. revenues to the economy.¹
- A turnaround in revenue growth in FY 1997 and FY 1998 helped eliminate the District's accumulated deficit. The \$390 million, 14.8% increase in revenues over this two-year period reflected not only modest improvement in the D.C. economy, but also a percentage increase in revenue growth that greatly exceeded the rate of growth in the economy.
- The FY 1997 and FY 1998 revenue rebound was particularly remarkable because tax rates were not increased, D.C. population and employment trends continued to decline, and real property values continued to fall. The biggest increases in revenues were from individual and business income taxes, general sales taxes, and taxes on real estate transactions. Al though it is not yet possible to understand fully why all of the increases occurred, most of the increases are tied to improvement in the D.C. economy, a sound national economy, stock market gains, an active D.C. real estate market, and improved tax administration.
- The downturn in 1990 followed a decade in which D.C. revenues grew very rapidly. D.C. revenue growth from 1980 to 1990 greatly outpaced both the percentage increase in the District's economy and the percentage increase in the revenue growth of all state and local governments in the United States.

The sections which follow (1) summarize revenue trends over the past 25 years, (2) compare revenues in four distinct periods, (3) look more closely at the revenue increase from 1996 to 1998, and (4) describe the role of the federal payment in providing revenues to the District.

¹ The District's economy is measured by personal income.

TWENTY-FIVE-YEAR REVENUE TRENDS

From 1973 to 1998, D.C.'s local source revenues increased 6.5-fold, outpacing the 4.1-fold increase in personal income.

- Adjusted for inflation, revenues increased 63% during the 1980's, fell 10% from FY 1990 to FY 1996, and then grew by almost 11% from FY 1996 to FY 1998.
- In per capita terms, revenues adjusted for inflation were flat in the 1990 to 1996 period, following a 74% increase over the decade of the 1980's. In FY 1998, real revenues per capita were \$5,094, up 14% from FY 1996.

Revenues increased from 10.1% of personal income in 1973 to 11.8% in 1980, a period that saw many tax rate increases. After a decade of rapid growth in revenues, resulting from both rate changes and increases in the tax base, in FY 1990 the percentage reached 16.4%. The percentage fell back to 14.6% by 1996, but rebounded to 15.7% in FY 1998.

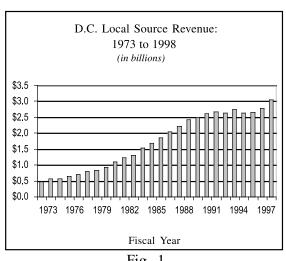


Fig. 1

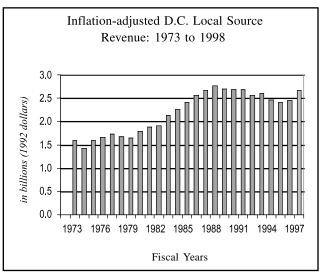


Fig. 2

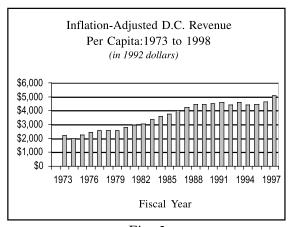


Fig. 3

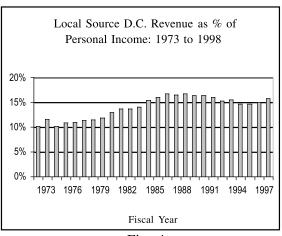


Fig. 4

ANALYSIS OF FOUR PERIODS FROM 1973 TO 1998

Additional insights regarding the role of revenues during the recent period of financial crisis and recovery can be found by looking closely at four specific periods during the past 25 years.

FY 1973 to FY 1980	 Recession and economic stagnation; some employment growth, but declining resident employment and population. Many tax increases Inflation-adjusted revenues increased 18%
of the 1980's	 Growth inpersonal income by a percentage approaching that of the U.S. as a whole; increases in employment, and very little loss of population resident employment. Some tax restructuring (making income tax more progressive and reducing real property taxes on homeowners and seniors) and some tax increases (principally utility tax increases, tax on toll telecommunications, and expanded sales tax base.) Inflation-adjusted revenues increased 63%
FY 1990 to FY 1996	 Recession and economic stagnation with substantial loss of jobs, resident employment, and population. Rate increases in real property, utilities and toll telecommunications taxes; some reduction in sales taxes and in business income tax rate. Inflation-adjusted revenues declined 10%
FY 1997 to FY 1998	 Modest economic growth as measured by personal income, but employment, resident employment, and population continued to decline. No major change in taxes Inflation-adjusted revenues increased 11%

- In the 1980's, the 225% increase in property taxes was a driving force in the rapid growth of revenues. With the fall in commercial real estate values after 1990, property tax revenue has not yet recovered to the 1990 level.
- In the FY 1990 to FY 1996 period, sales tax revenue joined real property taxes in a decline from FY 1990 levels. Income taxes also increased by just 9 % despite a 22% increase in personal income. Compliance problems are a likely explanation for much of this decrease.

- In the FY 1996 to FY 1998 period, the percentage increase in income tax revenues was more than 4 times the percentage increase in personal income, and the percentage increase in sales tax revenues also exceeded that of personal income. Revenues grew in real terms even though property tax revenue continued to decline.
- The increase in revenues from FY 1996 to FY 1998 occurred despite a continuing decline in population, employment, and resident employment at percentages comparable to the FY 1990 to FY 1996 period. Improvement in compliance is one factor contributing to this increase.
- According to data collected by the U.S. Bureau of Economic Analysis during this 25-year period, the percentage increases in state and local tax revenues for the nation as a whole have tended to track fairly closely to the increase in personal income. (Revenues grew a little less rapidly than income in the 1973 to 1980 period, a little more rapidly in the years since.) The pattern has been much more erratic in the District. Compared to the national averages, the extent of the District's decline after 1990 and increase after 1996 are both remarkable.
- Throughout the 25-year period, the increase in D.C. revenues other than from the three main tax groups (property, sales, and income) has consistently been greater than the increase in revenue as a whole. Among other thing, this reflects rising utility taxes, a new tax on telecommunications, and the D.C lottery profits.

Table 1. Percent Change in Local Source Revenues and D.C. Economic Variables

	Percent (
Time Period	Personal Income (nominal)	Inflation (D.C. CPI)	Local Source Revenues	Ratio of the % increase in revenues to the % increase in personal income
1973 to 1980	67%	66%	88%	1.3
1980 to 1990	96	66	170	1.8
1990 to 1996	20	19	6	0.3
1996 to 1998	5.8	4.0	14.8	2.6

Table 2. Percent Change in Local Source General Fund Revenue Components: FY 1973 to 1998

Time Period	Percent Change In					
Fiscal Year	Personal Income	Total Revenue	Property Taxes	Sales Taxes	Income Taxes	A ll Other
1973 to 1980	67%	88%	78%	59%	118%	196%
1980 to 1990	96	170%	234	123	129	277
1990 to 1996	19.8	6.5	-4.8	-3.0	8.5	33.8
1996 to 1998	5.8	14.8	-0.9	9.8	27.7	17.4

Table 3. Change in Economic Variables and Inflation-adjusted Revenues, FY 1973 to 1988

Time Period		Percent Change In						
Fiscal Year	Real Gross State Product	Real Personal Income	Employment	Resident Employment	Population	Inflation-adjusted Local Source Revenue		
1973 to 1980	na	-4.5%	5.4%	-3.3%	-10.1%	16.2%		
1980 to 1990	4.6	21.7	11.2	- 0.9	- 5.2	63.7		
1990 to 1996	-2.5	0.5	-8.5	-18.0	-10.7	-10.8		
1996 to 1998	0.1	2.6	-1.9	-3.3	-3.2	10.8		

Source: Standard and Poor's DRI, inc. and OTR

Table 4. Comparison of Change in the Economy and Revenues: D.C. and All State and Local Governments in the U.S.

	Percent Change In				
	U.S. E	conomy	D.C.		
Time Period	Personal Income	State and Local Property, Income, Business and Sales Taxes	Employment	Resident Employment	
1973 to 1980	107%	84%	67%	88%	
1980 to 1990	110	122	96	170	
1990 to 1996	34	39	20	6.0	
1996 to 1998	12	11	6	15	

Source: U.S. Department of Commerce (Bureau of Economic Analysis and Bureau of the Census) and OTR

CAUSES OF THE FY 1996 TO FY 1998 REVENUE INCREASE

- Income taxes accounted for 60% of the growth, with individual income and business income taxes increasing by 25% and 40% respectively over the 2-year period.
- Most of the remaining increases occurred in general sales taxes, taxes on real estate transations, and non-tax revenues (principally a 1998 increase in D.C. lottery proceeds and an unusual increase in miscellaneous revenue from unclaimed property).
- Compared to the U.S. as a whole, the increases in individual income taxes, business income taxes, and sales taxes outpaced the growth in comparable national, state and local revenues. Growth in D.C. personal income was, however, considerably less than personal income growth nationally.
- Reasons for all of the revenue increases are not clear as yet, but much of it can be tied to economic factors affecting the D.C. economy. For example:
 - 1) The booming national economy affects tourism (sales taxes) and the profits of companies in the District or elsewhere that do business in the District (business franchise taxes).

- 2) With its high per capita income, District income taxes reflect higher salaries for professional and technical personnel, and the increase in the stock market similarly will affect the income tax through capital gains and higher retirement incomes.
- An increase in real estate transactions, largely in the commercial market but in the residential market as well, greatly increased tax revenues on the deed recordation, deed transfer, and economic interest taxes.
- Although hard to quantify precisely, a significant part of the increase is related to OTR success in improving tax administration. The breakdown in tax administration is one of the reasons that tax revenues lagged the economy so significantly during the FY 1990 to FY 1996 period. Improved tax administration helps explain why the percentage growth in revenues in the FY 1996 to FY 1998 period exceeded the growth in the economy and the growth in revenues in all state and local governments nationally to such a great degree. Better audits have helped bring in additional revenue, but most of this improvement came about due to greater voluntary compliance, the result of better customer service and improved audit capability.

Table 5. Principal Sources of Revenue Increase from FY 1996 to 1998 (in millions)

Revenue Source	Revenue Source Amount of increase FY 1996 to FY 1998		Percent of total increase
Individual income tax	\$172.1	25.0%	43.9%
Business income taxes	61.7	40.0	15.7
General sales tax	57.4	12.3	14.6
Deed transfer and recordation taxes	47.9	80.1	12.2
Non-tax revenue	56.9	31.9	14.5
Subtotal	402.5	24.8	102.9
All other	-10.1	-1.0	- 2.6
Total	\$392.4	14.8%	100.0%
Addendum: Percent change in D.C. personal income		5.8%	

Table 6. Percent Change in Personal Income and Selected Taxes, 1996 to 1998:

D.C. and Total for U.S. State and Local Governments

(Percent change from 1996 to 1998)

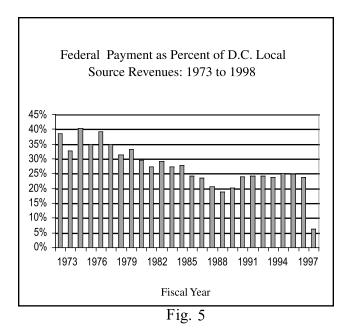
Item	D.C (est.)	All State and Local Governments
Personal Income	5.8%	11.7%
Total Tax Revenue	13.7%	11.1%
Individual income taxes	25.0%	21.0%
Corporate profits taxes	40.0%	7.5%
Property taxes	-5.2%	5.8%
Sales taxes	12.3%	12.9%

Source: OTR and U.S. Bureau of the Census, Quarterly Survey of State and Local Revenues

A NOTE ON THE FEDERAL PAYMENT

As part of the restructuring of District finances, the District of Columbia Revitalization Act of 1997 gave the Federal government responsibility for several major items previously funded in the District's budget (principally, past pension liabilities, courts and corrections, and additional Medicaid funding). In return, the annual Federal payment, which had supplemented local revenues for over a century, was terminated.

- As a percentage of local source revenues, the federal payment fell from about 35 percent in the middle of the 1970's to below 20% in 1990. From FY 1991 through FY 1997, the payment held fairly steady at about 24% of local revenues.
- The federal payment averaged about 3.6% of District personal income over the entire FY 1973 through FY 1997 period. For 3 years the federal payment exceeded 4% of personal income, and in the years 1988, 1989, and 1990 it fell below 3.5%.
- For the FY 1973 to FY 1980 period, the federal payment increased by the same percentage as personal income, although the percent increase was below that of local revenues.
- From FY 1980 to FY 1990, the percentage increase in the federal payment was less than the percentage increase in personal income. Local source revenues grew rapidly, and the percentage increase in the federal payment was only about one third of that of local revenues.
- In the FY 1990 to FY 1996 period, the percentage increase in the federal payment was above that of personal income and the percent growth exceeded that of local revenues by a factor of 5.



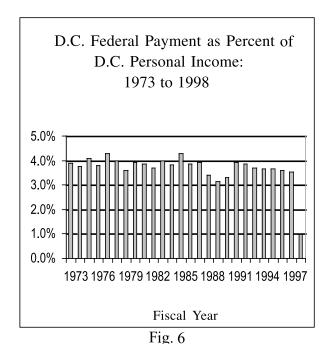


Table 7. Change in Personal Income, DC Local Revenues, and the Federal Payment, 1973 to 1998

Time Period (fiscal years)	Percent Change in		
Time Period (fiscal years)	Personal Income	DC Local Source Revenue	Federal Payment
1973 to 1980	67	88	68
1980 to 1990	96	170	66.3
1990 to 1996	19.6	5.6	30.1
1990 to 1998	6.1	14	30.1

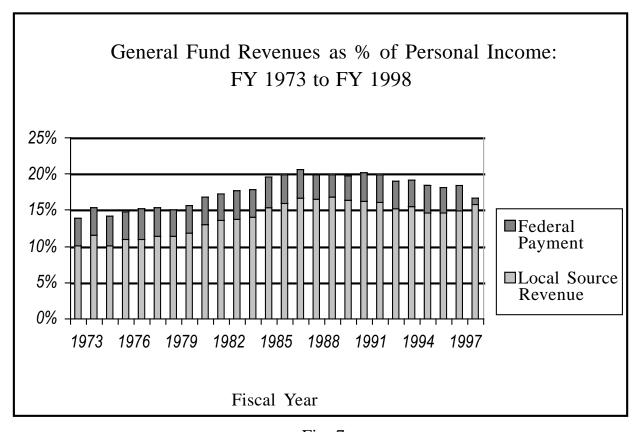


Fig. 7

TAX INFORMATION: INSIGHTS INTO THE D.C. ECONOMY

The District's tax base provides many insights into the District's economy, including the value and geographic distribution of real property, distribution of income, the structure of the economy, and economic trends. The sections which follow:

- Profile the three major taxes: real property, individual income tax, and sales and business taxes
- Summarize information about the value of real property transfers and new construction based on deed transfer taxes and construction permits.

The Real Property Tax Base and the Value of Real Property

All properties in the District of Columbia are assessed by the Office of Tax and Revenue at full market value.¹ For taxation purposes, properties are currently placed into 4 rate classifications. Under the Tax Parity Act of 1999, the number of classes will in effect be reduced to 2. (See table 1.) by FY 2002.

Tax rate per \$100 of assessed value					
	Tax Year 1999	Under Tax Parity Act of 1999 when fully implemented in fiscal year 2002			
Class 1 (homeowner)	0.96*	0.96*			
Class 2 (rental residential)	1.54	0.96			
Class 3 (hotel)	1.85	1.85			
Class 4 (commercial)	2.15	1.85			
Class 5 (vacant)	5.00**	1.85**			

Table 1. Categories of Taxable Real Property in the District of Columbia

^{*}before homestead and senior citizen deductions

^{**}Prior to TY 1999 property 5 real property tax classes existed. Real property tax Class (V or 5) was eliminated in accordance with provisions of the Tax Parity Act of 1999 in TY 2000. Properties formerly designated as Class V are now designated Class (IV or 4).

¹ Assessment notices are mailed in the spring of the year which are the basis for taxes due in March of the following year. (For example, assessment notices mailed in February 1999 were to establish the tax base for tax year 2000). Administrative appeals and appeals before the Board of Appeals and Adjustment take place through the summer.

In FY 1997 the Council of the District of Columbia authorized a system of triennial assessment, commencing with the assessment for tax year 1999. With triennial assessment, designed to make more efficient use of resources, the city is divided into three sections (each roughly one third of the assessed value of the taxable base). Each section is then assessed once every three years. The first phase of the initial assessment was completed in February 1998, the second in February 1999.

Under the triennial assessment, any increase in assessment is phased in over three years, while decreases take place immediately. Because (1) the assessments are done more than a year before the first payment is due, (2) only one third of the city is assessed in any one year, and (3) increases in assessments are phased in over three years, increased assessments that are identified in one year are not fully reflected in tax revenues until four calendar years after they occur in the local economy. Assessed value of new construction or changes in use are reflected as they occur.

Value of All Property, Tax Year 1999²

• 44% of all real property, accounting for 58% of estimated value, is taxable.

Table 2. Summary of Real Property in the District of Columbia, Tax Year 1999

Sector	Land area (acres)	%	Assessed Value \$ million	%
Tax exempt				
Government	13,141	45.7	22,141	30.3
Other	3,221	11.2	8,480	11.6
Taxable	12,537	43.6	42,461	58.1
Total	28,901	100	73,082	100

Source: OTR August 1999 reports Note: Detail may not add due to rounding.

- D.C.'s split tax rate places the greatest proportion of the tax liability on commercial property and the least on homeowners.
- Single family residential property (Class 1) accounts for 40% of value and 20% of tax liability.
- Commercial property (Classes 3, 4, and 5) accounts for 43% of value and 63% of tax liability.

Table 3a. Real Property Assessed Value and Tax Liability by Class, Tax Year 1999

Class	Number of Properties	Assessed Value* (\$ millions)	Tax Rate	Tax Liability** (\$ millions)
Class 1 Single-family Residential	92,153	\$16,196	\$0.96 (nominal) (\$0.72 (average after homestead and senior citizen credits)	\$116.2
Class 2 Rental Residential	47,726	6,640	1.54	102.3
Class 3 Hotel	246	1,512	1.85	28.0
Class 4 Commercial	11,951	15,575	2.15	334.9
Class 5 Vacant and Abandoned***	2,852	126	5.00	6.2
Total	154,928	\$40,050		\$587.6

^{*}Before homeowner and senior citizen exemptions

Note: New construction or lot restructuring not yet entered on billing records, and class 1 property valued at less than \$30,000.

Source: OTR: September 1998 Reports.

^{**}After homeowner and senior citizen exemptions

^{***}Prior to TY 1999 property 5 real property tax classes existed. Real property tax Class (V or 5) was eliminated in accordance with provisions of the Tax Parity Act of 1999 in TY 2000. Properties formerly designated as Class V are now designated Class (IV or 4).

²

² Because small changes are constantly being made to the assessment roles as a result of new construction, assessment appeals, or changes in use, the assessments or liabilities shown in the following tables for the same tax category may show some small variation.

Table 3b. Percent of Taxable Value and Revenue by Class, Tax Year 1999

Class	Assessed Value %	Liability %
Class 1	40.4	19.8
Class 2	16.6	17.4
Class 3	3.8	4.8
Class 4	38.9	57
Class 5	0.3	1.1
Total	100	100

Note: detail may not add due to rounding. Source: Office of Tax and Revenue

• Ward 2 accounts for 44% of assessments, and 56% of real property tax liability

Table 4. Tax Assessment and Liability by Ward, Tax Year 1999

	Assessed Val	ue	Liability	
Ward	Amount (\$ million)	%	Amount (\$ million)	%
Ward 1	\$3,021	7.5%	\$37.4	6.4%
Ward 2	17,446	43.6	328.9	56.0
Ward 3	8,578	21.4	93.9	16.0
Ward 4	2,941	7.3	26.9	4.6
Ward 5	2,211	5.5	23.8	4.1
Ward 6	3,759	9.4	53.9	9.2
Ward 7	1,474	3.7	14.9	2.5
Ward 8	620	1.5	7.9	1.3
Total	\$40,050	100%	587.9	100%

Note: detail may not add due to rounding. Source: Office of Tax and Revenue

- Commercial property accounts for 21% of taxable property, 43% of assessments, and 63% of the tax liability.
- Single family property accounts for 54% of taxable property, 40% of assessments, and 20% of tax liability.

Table 5a. Percent of Total D.C. Assessment by Ward and Class

Ward	Class 1	Class 2	Classes 3, 4, 5	Total by Ward
Ward 1	3.9%	2.3%	1.3%	7.5%
Ward 2	6.3	4.0	33	43.6
Ward 3	15.0	3.7	2.7	21.4
Ward 4	5.3	1.5	0.5	7.3
Ward 5	3.3	1.2	1.0	5.5
Ward 6	3.8	2.0	3.6	9.4
Ward 7	2.2	1.0	0.5	3.7
Ward 8	0.6	0.8	0.1	1.5
Total	\$40,050	100%	43.0%	100%

Note: detail may not add due to rounding. Source: Office of Tax and Revenue

Table 5b. Percent of Tax Liability by Ward and Class, Tax Year 1999

Ward	Class 1	Class 2	Classes 3, 4, 5	Total by Ward
Ward 1	2.0%	2.4%	2.0%	6.4%
Ward 2	3.4	4.2	48.4	56.0
Ward 3	8.2	3.9	3.9	16.0
Ward 4	2.2	1.6	0.8	4.6
Ward 5	1.2	1.3	1.6	4.1
Ward 6	1.7	2.1	5.4	9.2
Ward 7	0.8	1.1	0.6	2.5
Ward 8	0.2	0.8	0.3	1.3
Total	19.8%	17.4%	62.9%	100%

Note: detail may not add due to rounding. Source: Office of Tax and Revenue

Table 5c. Percent of Total Taxable Average Ward and Class, Tax Year 1999

Ward	Class 1	Class 2	Classes 3, 4, 5	Total by Ward
Ward 1	2.7%	2.1%	0.9%	5.7%
Ward 2	2.9	2.2	5.5	10.6
Ward 3	18.0	3.5	2.2	23.7
Ward 4	10.5	3.0	1.4	14.9
Ward 5	7.6	3.0	4.3	14.9
Ward 6	3.5	2.4	2.1	8.0
Ward 7	7.2	4.3	3.3	14.8
Ward 8	1.8	4.3	1.5	7.6
Total	53.9%	24.8%	21.2%	100%

Note: detail may not add due to rounding. Source: Office of Tax and Revenue

Distribution of Class 1 Property by Ward and Qualification for Senior Citizen Deduction³

- Top 2 wards for non-senior class 1 parcels are wards 2 and 3 (38% of total)
- *Top 2 wards for senior class 1 parcels are wards 4 and 5 (43% of total)*

Table 6a. Class 1: Parcels, Assessments, and Liability; By Ward and by Senior and Non-Senior, Tax Year 1999

		SENIOR			NON-SENIOR	
Ward	Parcels	Assessments (\$ million)	Tax Liability (\$ million)	Parcels	Assessments (\$ million)	Tax Liability (\$ million)
Ward 1	1,735	\$250	\$0.9	6,749	\$1,310	\$10.7
Ward 2	1,470	326	1.4	9,516	2,158	18.3
Ward 3	3,500	1,034	4.4	15,863	4,952	43.6
Ward 4	6,200	885	3.4	8,171	1,243	9.7
Ward 5	5,194	575	2.0	7,053	742	5.2
Ward 6	2,986	319	1.1	8,153	1,184	9.1
Ward 7	4,149	390	1.3	5,939	510	3.4
Ward 8	928	75	0.2	1,992	165	1.0
Total	26,242	\$3,854	\$14.7	63,439	\$12,263	\$100.8

Note: (1) Detail may not add due to rounding

Note: (2) Excludes 2,314 parcels with assessed value of \$436 million that cannot be properly assigned to a category

Source: Office of Tax and Revenue

Table 6b. Class 1: Percentage Distribution Parcels, Assessments, and Liability; By Ward and By Senior

	SENIOR				NON-SENIOR	ł
Ward	Parcels	Assessments	Tax Liability	Parcels	Assessments	Tax Liability
Ward 1	6.6%	6.5%	6.1%	10.6%	10.7%	10.6%
Ward 2	5.6	8.5	9.5	15.0	17.6	18.2
Ward 3	13.6	26.8	29.9	25.0	40	43.3
Ward 4	23.6	23	23.1	12.9	10	9.6
Ward 5	19.8	14.9	13.6	11.1	6.1	5.2
Ward 6	11.4	8.3	7.5	12.9	10	9
Ward 7	15.8	10.1	8.8	9.4	4.2	3.4
Ward 8	3.5	1.9	1.4	3.1	1.3	1.0
Total	100	100	100	100	100	100

Note: (1) Detail may not add due to rounding

Note: (2) Excludes 2,314 parcels with assessed value of \$436 million that cannot be properly assigned to a category Source: Office of Tax and Revenue

³ The District of Columbia allows two main deductions from real property taxes otherwise due on Class 1 property. A **homestead deduction** is allowed on the first \$30,000 of the assessed value of owner-occupied residential property for those taxpayers who are subject to District of Columbia income tax. In tax year 1999, 88,165 owner-occupied properties (94.7 percent of Class 1) are classified under this homestead exemption status. In addition, **senior citizen property tax relief** is provided for senior citizens with adjusted gross income of \$100,000 or less who are living in owner-occupied residential property. Such seniors receive a 50 percent reduction in their real property taxes. This reduction is calculated after computing the homestead deduction, whenever applicable.

Distribution of Real Property Classes by Decile

- The top decile accounts for 33% of the assessed value of single family property.
- The lowest 5 deciles account for 22% of the assessed value of single family property.

Table 7a. Class 1 (Single Family) Real Property by Deciles, Tax Year 1999

	Number of	Assessed Value	% of Assessed	Average Value	Median Value
Decile	Taxpayers	(\$ million)	Value of Class	(\$'000)	(\$'000)
1	8,029	\$383	2.5%	\$47.8	\$55.1
2	8,013	616	4.0	76.9	77.0
3	8,016	718	4.6	89.6	89.6
4	7,988	814	5.3	102.0	102.0
5	7,976	917	5.9	115.0	114.9
6	8,102	1,081	7.0	133.5	132.9
7	8,142	1,377	8.9	169.1	167.8
8	8,152	1,896	12.2	232.7	233.1
9	8,272	2,566	16.6	310.2	307.8
10	8,297	5,133	33.1	618.6	482.7
Total	80,897	15,504	100%		

Note: (1) Detail may not add due to rounding

Source: Office of Tax and Revenue

- The top decile accounts for 46% of the value of rental multi-family property.
- The lowest 5 deciles account for 18% of the value of rental multi-family property.

Table 7b. Class 2 (Multi-family Residential) Real Property by Deciles, Tax Year 1999

	Number of	Assessed Value	% of Assessed	Average Value	Median Value
Decile	Taxpayers	(\$ million)	Value of Class	(\$'000)	(\$'000)
1	3,671	\$95	1.5%	\$25.9	\$26.5
2	3,607	192	3.1	53.2	53.0
3	3,634	245	3.9	67.3	67.6
4	3,659	287	4.6	78.5	78.6
5	3,730	333	5.3	89.2	89.1
6	3,719	376	6.0	101.0	100.8
7	3,778	445	7.1	117.7	117.0
8	3,809	572	9.2	150.2	148.5
9	3,861	852	13.7	220.7	219.4
10	3,902	2,841	45.6	728.0	372.4
Total	37,370	\$6,236	100%		

Note: (1) Detail may not add due to rounding

Source: Office of Tax and Revenue

- The top decile accounts for 66% of the value of hotel property.
- *The lowest 5 deciles account for 1% of the value of hotel property.*

Table 7c. Class 3 (Hotels/Motels) Real Property by Deciles, Tax Year 1999

	Number of	Assessed Value	% of Assessed	Average Value	Median Value
Decile	Taxpayers	(\$ million)	Value of Class	(\$'000)	(\$'000)
1	23	\$0	0.0%	\$11.7	\$13.9
2	23	1	0.0	30.3	25.9
3	24	2	0.1	79.3	85.0
4	24	3	0.2	136.1	128.1
5	24	6	0.4	259.1	270.1
6	24	16	1.0	672.9	612.5
7	24	56	3.5	2,338.6	1,924.8
8	24	155	10.0	6,474.4	6,657.0
9	24	316	19.5	13,171.6	13,393.1
10	24	1,062	65.6	44,237.0	36,024.5
Total	238	\$1,618	100%		

Note: (1) Detail may not add due to rounding

Source: Office of Tax and Revenue

- The top decile accounts for 88% of the value of commercial property.
- The lowest 5 deciles account for 2% of the value of commercial property.

Table 7d. Class 4 (Commercial) Real Property by Deciles, Tax Year 1999

Decile	Number of Taxpayers	Assessed Value (\$ million)	% of Assessed Value of Class	Average Value (\$'000)	Median Value (\$'000)
1	1,113	\$3	0.0%	\$2.6	\$2.4
2	1,110	15	0.1	13.8	13.4
3	1,118	47	0.3	42.2	41.7
4	1,078	83	0.5	77.2	77.7
5	1,096	125	0.7	114.1	114
6	1,107	188	1.1	170.0	169.2
7	1,106	287	1.7	259.5	256.7
8	1,113	465	2.7	417.8	413.0
9	1,118	909	5.3	813.1	772.1
10	1,118	14,971	87.6	13,391	4,500.5
Total	11,077	\$17,094	100%		

Note: (1) Detail may not add due to rounding

Source: Office of Tax and Revenue

Trends in the Assessed Value of Real Property and Real Property Tax Revenue

- Assessments in tax year 1998 are 11% below their peak in 1992.
- The decrease in assessments is accounted for by commercial property, which decreased 29% from 1992 to 1998. Residential assessments increased by 13% over those years.

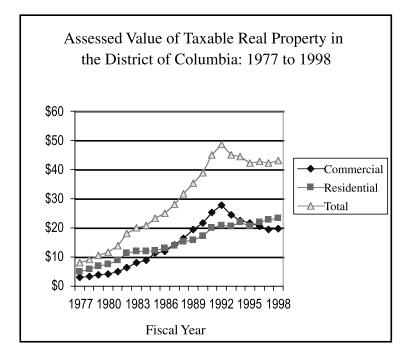


Fig. 1

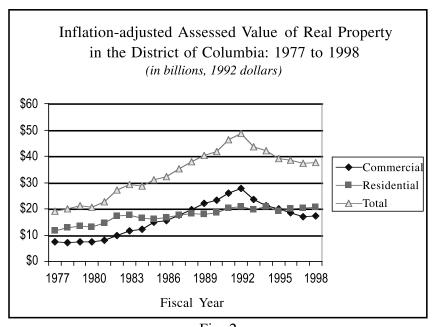


Fig. 2

• Assessed value of real property relative to the District's GDP has fallen and is now about equal to the level of the early 1980s...

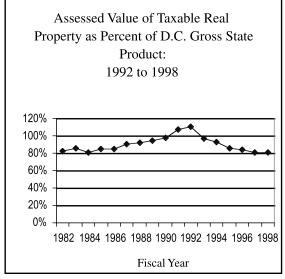


Fig. 3

... With the decline in value accounted for by commercial property.



Fig. 4

 Assessed value of residential property has remained fairly level as a percentage of D.C. personal income since the early 1980's.

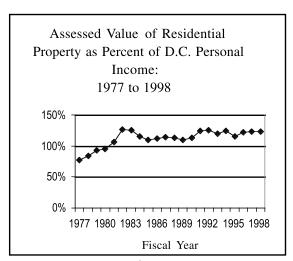
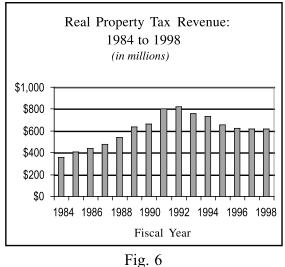


Fig. 5

• Real property revenues declined by \$204 million from 1992 to 1998, a 25% drop. Adjusted for inflation, the drop over the 6 years was 35%.



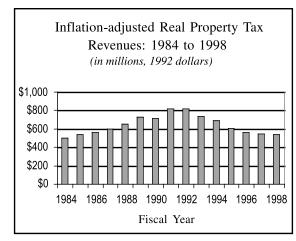


Fig.7

Individual Income Tax Base and the Distribution of Taxable Income

The District individual income tax is levied on all individuals who maintain a permanent residence in the District at any time during the tax year or on those who maintain a residence for a total of 183 days or more.⁴ The tax rates, applied progressively to net taxable income, have been reduced under the Tax Parity Act of 1999 as shown in the following table.

Table 8. Individual Income Tax Rates: Tax Year 1998 and FY 2004 when the Tax Parity Act of 1999 is fully implemented.

Tax Yea	r 1998	Full Implementation of the Tax Parity Act of 1999		
Net Taxable Income	Marginal Tax Rate	Net Taxable Income	Marginal Tax Rate	
\$0 - \$10,000	6.0%	\$0 - \$10,000	4.0%	
\$10,001 - \$20,000	\$600 + 8.0% on amount over \$10,000	\$10,001 - \$40,000	\$400 + 6.0% on amount over \$10,000	
\$20,000 and above	\$1,400 + 9.5% on amount over \$20,000	\$40,001 and above	\$2,200 + 8.5% on amount over \$40,000*	

*Rate for top bracket could be reduced as low as 8%, depending on performance of revenues as certified by the Comprehensive Annual Financial Report (CAFR).

Source: Office of Tax and Revenue

⁴ Individuals exempt from the District's personal income tax include elected officers of the federal government, presidential appointees subject to confirmation by the U.S. Senate, justices of the United States Supreme Court who are not domiciled in the District, employees on legislative staffs who are *bona fide* residents of the state of their elected officer, and all persons working in the District but living outside the District.

Under the D.C. individual income tax, D.C. Adjusted Gross Income (D.C.AGI) is calculated by adjustments to the Federal Adjusted Gross Income as reported to the Internal Revenue Service. In 1997, D.C. AGI was approximately \$1 billion less than Federal AGI, due principally to subtraction of amounts for interest on U.S. obligations, income received during period of non-residence in the District, portions of Social Security and disability income, and income reported and taxed on D.C. Unincorporated Business Franchise Tax returns.

- In 1997, taxpayers with D.C. AGI less than \$25,000 accounted for about 54% of taxpayers and 16% of all reported D.C. AGI.
- Taxpayers with D.C. AGI above \$100,000 accounted for 7% of taxpayers and 36% of all reported D.C. AGI.

Table 9a. Number of Filers and Federal Adjusted Gross Income by Income Class for Persons Filing D.C. Income Tax for Tax Year 1996

Federal AGI group	Number of Filers ('000)	Federal AGI (\$ million)
Less than \$10,000	53,231	\$239
\$10,000 to \$25,000	77,652	1,347
\$25,000 to \$50,000	71,153	2,499
\$50,00 to \$100,000	35,711	2,450
\$100,000 to \$500,000	16,468	2,868
Over \$500,000	1,214	1,373
Total	255,429	\$10,776

Source: Office of Tax and Revenue

Table 9b. Percentage Distribution of Filers and Federal Adjusted Gross Income by Income Class for Persons Filing D.C. Income Tax for Tax Year 1996

Federal AGI group	Filers	Federal AGI	
Less than \$10,000	20.8%	2.2%	
\$10,000 to \$25,000	30.4	12.5	
\$25,000 to \$50,000	27.9	23.2	
\$50,000 to \$100,000	14.0	22.7	
\$100,000 to \$500,000	6.4	26.6	
Over \$500,000	0.5	12.7	
Total	100.0%	100.0%	

Source: Office of Tax and Revenue

Table 10a. Number of Filers and Federal Adjusted Gross Income by Income Class for Persons Filing D.C. Income Tax for Tax Year 1998

Federal AGI group	Number of Filers ('000)	Federal AGI (\$ million)
Less than \$10,000	57,552	\$220
\$10,000 to \$25,000	72,074	1,254
\$25,000 to \$50,000	72,764	2,573
\$50,000 to \$100,000	39,086	2,693
\$100,000 to \$500,000	19,599	3,416
Over \$500,000	1,258	1,133
Total	262,333	\$11,289

Source: Office of Tax and Revenue

Table 10b. Percentage Distribution of Filers and Federal Adjusted Gross Income by Income Class for Persons Filing D.C. Income Tax for Tax Year 1998 (preliminary)

Federal AGI group	Filers	Federal AGI	
Less than \$10,000	21.9%	1.9%	
\$10,000 to \$25,000	27.5	11.1	
\$25,000 to \$50,000	27.7	22.8	
\$50,000 to \$100,000	14.9	23.9	
\$100,000 to \$500,000	7.5	30.3	
Over \$500,000	0.5	10.0	
Total	100.0%	100.0%	

Source: Office of Tax and Revenue

Trends in the Individual Income Tax Base and Tax Revenue

- Individual Income Tax revenues increased 34% from FY 1995 to FY 1998
- Adjusted for inflation, the 26% increase in Individual Income Tax revenues between FY 1995 and FY 1998 brought revenues to a level higher than that of a decade earlier.

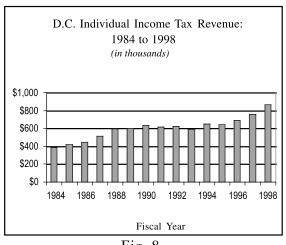


Fig. 8

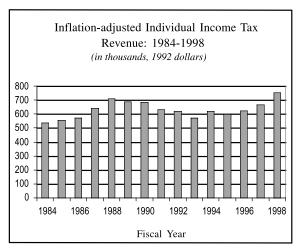


Fig. 9

- Reported DC AGI as a percent of D.C. Personal Income tended to rise in the 1980's, then fell through 1995.
- In 1996 reported D.C. AGI as a percent of Personal Income started to increase, but it is still below the peak of 1990.

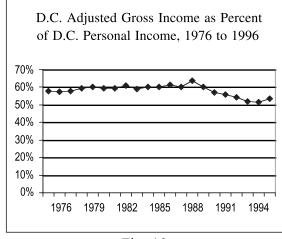


Fig. 10

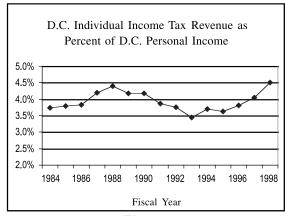


Fig. 11

Business Structure, Sales, and Business Taxes

According to the most recent U.S. Bureau of the Census County Business Pattern Survey, in 1995 there were 19,842 businesses located in the District of Columbia. Most of the businesses were small -70% employing fewer than 10 persons (table 11). The majority of the firms -57% – were in the service industry (table 12).

Table 11. Distribution of Firms by Number of Employees, 1995

Number of Employees	Number of Firms	1995 Distribution
1-4	9,790	50.3%
5-9	3,883	20.0%
10-19	2,661	13.7%
20-49	1,839	9.5%
50-99	640	3.3%
100-249	441	2.3%
250-499	123	0.6%
500-999	40	0.2%
1000+	34	0.2%
Total	19,451	100%

Source: Office of Tax and Revenue

Table 12. Distribution of Firms by Industry, 1995

Number of Employees	Number of Firms 1995	Change	
Services	11,244	58%	
Retail Trade	3,736	19%	
Finance, Insurance, and Real Estate	2,203	11%	
Transportation and Public Utilities	737	4%	
Wholesale Trade	468	2%	
Manufacturing	447	2%	
Construction	308	2%	
Unclassified Establishments	254	1%	
Agricultural Services, Forestry, and Fishing	40	0%	
Mining	14	0%	
Total	19,451	100%	

Source: U.S. Bureau of the Census: County Business Patterns Survey, 1995

Information from the sales and use tax, the business franchise (income) tax, and the arena fee provides additional insights into the structure of the District's private sector. Each tax has a different tax base, resulting in considerable variation in the number of firms reporting. However, for each tax there is a similar pattern with respect to distribution of taxable activity, in that a relatively small number of firms conduct the majority of the taxable activity in the District.

Distribution of Sales Tax Liability

The sales tax is imposed on all tangible property sold or rented at retail in the District and on certain selected services. Grocery-type foods, prescription and non-prescription drugs, disability appliances, and residential utility services are among items exempt from the tax. The use tax is imposed at the same rate on property sold or purchased outside the District and then brought into the District to be used, stored, or consumed.

A five-tier rate structure is presently in effect.

Table 13. General Sales and Use Tax Rates, FY 1999

Item	Sales Tax Rate
General Retail Sales	58%
Alcohol (off-premise consumption)	19%
Restaurant Meals, Auto Rentals & Prepaid Phone Cards	11%
Commercial Parking	4%
Hotel Room	2%

^{*1%} of this is earmarked for the Convention Center.

Table 14. Estimated Taxable Sales, 1998

Fiscal Year	Use Tax*	General Rate (5.75%)	Alcoholic Beverages (8%)	Restaurant Tax (10%)	Parking Tax (12%)	Hotel Tax 13%)	Total
Amount (\$ million)	\$518.5	\$5,430.9	\$271.5	\$1,478.7	\$197.7	\$763.4	\$8,660.7
Percent of Sales	6.0%	62.7%	3.1%	17.1%	2.3%	8.8%	100.0%
Percent of Revenue Generated	5.0%	44.9%	2.2%	26.2%	4.1%	17.5%	100.0%

Source: Office of Tax and Revenue

^{**4.45%} of this is earmarked for the Convention Center. From 1990 to 1998 this rate was 13%, 3% of which was earmarked for the Convention Center.

^{*}Approximately 95% of use tax revenues are in the general rate category.

- The top 10% of taxpayers (1,557 taxpayers) accounts for 83% of all sales and use tax liability.
- The 50% of the taxpayers with the lowest amount of tax due (7,787 taxpayers) accounts for 1.2% of all sales tax liability.

Table 15. Sales and Use Tax: Number of Taxpayers, Tax Years 1995 to 1998

Tax Year	Number of Taxpayers
1995	14,532
1996	14,318
1997	14,401
1998	15,574

Source: Office of Tax and Revenue

Table 16. Sales Tax Remittance by Decile, Tax Year 1998 (All Taxpayers with Non-Zero Base)

	Number of	Median Tax	Total Due	Percent of
Decile	Taxpayers	Due	(\$000)	Total
1 (lowest)	1,557	\$34	\$59.2	0.0%
2	1,557	\$189	\$302.6	0.1%
3	1,558	\$532	\$850.2	0.2%
4	1,557	\$1,189	\$1,882.4	0.3%
5	1,558	\$2,300	\$3,617.9	0.6%
6	1,557	\$4,164	\$6,557.2	1.2%
7	1,558	\$7,494	\$11,860.2	2.1%
8	1,557	\$14,003	\$22,331.1	4.0%
9	1,558	\$30,258	\$49,624.0	8.8%
10 (highest)	1,557	\$108,279	\$466,855.0	82.8%
Total	15,574		\$563,939.8	100.0%

Source: DC Office of Tax and Revenue

Table 17. Percent of Sales Tax Remittances by Top 50 and Top 100 Taxpayers, 1995 to 1998

Group	1995	1996	1997	1998
Top 50	31.4%	31.6%	31.2%	30.2%
Top 100	40.7%	41.1%	40.5%	39.6%

Source: DC Office of Tax and Revenue

Trends in Sales and Use Tax Base and Tax Revenues

• From 1995 to 1998, the rate of increase in reported taxable sales in all categories has been much greater than inflation, the growth in D.C. personal income, and the growth in D.C. gross state product.

Table 18. Estimated Taxable Sales, FY 1995 to 1998 (\$ million)

Fiscal Year	Use Tax*	General Rate (%.75%)	Alcoholic Beverages (8%)	Restaurant Tax (10%)	Parking Tax (12%)	Hotel Tax (13%)	Total
1995	388.7	3,749.6	146.8	1,280.6	178.2	624.8	6,368.7
1996	434.9	3,908.2	146.5	1,525.1	196.3	633.3	6,844.3
1997	652.0	4,165.8	151.0	1,384.3	176.0	719.1	7,248.2
1998	518.5	5,430.9	271.5	1,478.7	197.7	763.4	8,660.7
% change: 1995 to 1998	33.4%	44.8%	84.9%	15.5%	10.9%	22.2%	36.0%

Source: DC Office of Tax and Revenue

• In 1998, taxable sales represented 46.2% of the sales of goods and services of the 14,400 firms subject to the D.C. sales and use tax.

Table 19. Taxable and Non-taxable Sales, 1989 to 1998 (\$ billion)

Fiscal Year	Total Sales	Exempt Sales	Taxable Sales	Taxable as % of Total
1989	\$15.5	\$9.2	\$6.3	40.6%
1990	14.4	8.0	6.4	44.4%
1991	14.1	8.0	6.1	43.3%
1992	14.2	7.7	6.5	45.8%
1993	14.4	8.2	6.2	43.1%
1994	13.7	7.4	6.3	46.0%
1995	15.7	8.8	6.9	43.9%
1996	16.9	10.1	6.8	40.2%
1997	15.9	9.1	6.8	42.8%
1998	\$18.4	\$9.9	\$8.5	46.2%

Source: DC Office of Tax and Revenue

• From 1989 to 1994, taxable sales fell from 17% to 13% of Gross State Product; by 1998 they increased to 16% of Gross State Product.

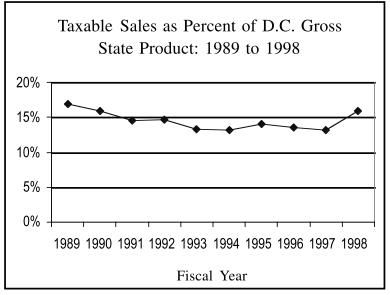


Fig. 12

- General Sales Tax revenues were 12% higher in FY 1998 than in FY 1996.
- Adjusted for inflation, General Sales Tax revenues in FY 1998 were below the level of FY 1990.

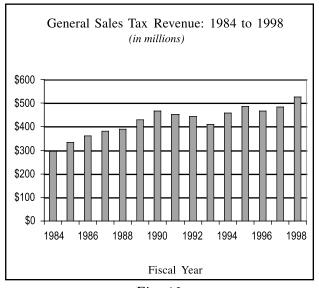


Fig. 13

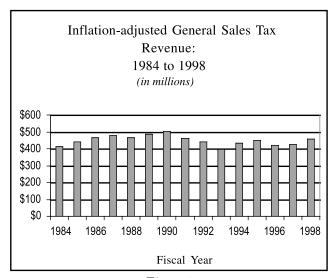


Fig. 14

Distribution of Business Income (Franchise) Tax Liabilities

The corporation franchise tax is imposed on corporations, including financial institutions, carrying on a trade, business or profession in the District or receiving income from District sources. For tax year 1999, the franchise tax rate is 9.975%. Under the Tax Parity Act of 1999, the rate will be reduced to 8.5% in Fiscal Year 2004.

- 7,725 (32%) of the 23,747 corporate tax filers have tax liability exceeding the minimum tax of \$100.
- Of the 7,725 corporate tax filers with tax liability greater than \$100, the top 10% (772 firms) accounts for 85% of the liability.

Table 20. Corporate Tax Returns by Tax Liability Status: Tax Year 1995 to 1997

Tax Year	Less than \$100	\$100	Greater than \$100	Total Returns
1995	3	11,542	5,066	16,611
1996	3	16,218	7,617	23,838
1997	1	16,021	7,725	23,747

Table 21. Corporate Tax Liability by Decile for Entities with Liability Greater Than \$100, Tax Year 1997

Decile	Number Taxpayers	Median Tax Due	Total Due	Percent of Total
1st	772	\$138	\$107,916	0.09%
2nd	774	\$247	\$191,432	0.16%
3rd	772	\$404	\$314,823	0.26%
4th	773	\$661	\$517,160	0.42%
5th	773	\$1,067	\$832,972	0.68%
6th	773	\$1,711	\$1,341,692	1.10%
7th	773	\$2,821	\$2,215,237	1.81%
8th	773	\$4,955	\$3,901,158	3.19%
9th	773	\$10,695	\$8,820,054	7.22%
10th	772	\$37,940	\$103,908,164	85.10%
Total	7,728		\$122,150,608	100%

Table 22. Percent of Corporate Franchise Tax Remittance by Top 25, 50, and Top 100 Taxpayers

Group	1995	1996	1997
Top 25	46.7%	39.9%	41.6%
Top 50	55.6%	50.0%	50.0%
Top 100	64.7%	58.4%	58.5%

Source: DC Office of Tax and Revenue

The tax on unincorporated businesses is imposed on unincorporated businesses with gross receipts over \$12,000.⁵ For tax year 1999, the franchise tax rate is 9.975%. Under the Tax Parity Act of 1999, the rate will be reduced to 8.5% in Fiscal Year 2004.

- 3,233 (39%) of the 8,346 unincorporated business franchise tax filers in 1997 had tax liability exceeding the minimum tax of \$100.
- The top 10% (323 firms) accounts for 78% of the liability.

Table 23. Unincorporated Business Tax Returns by Tab Liability Status: Tax Year 1995 to 1997

	An	Amount Liability				
	Less than	Less than Greater than				
Tax Year	\$100	\$100	\$100	Returns		
1995	4,327	170	1,634	6,131		
1996	5,036	263	3,000	8,299		
1997	4,829	284	3,233	8,346		

Table 24. Unincorporated Business Franchise Tax Liability by Decile for Entities with Liability Greater Than \$100, Tax Year 1997

	Number of	Median	Total	Percent of
Decile	Taxpayers	Tax Due	Due	Total
1st	323	\$185	\$59,869	0.15%
2nd	324	\$382	\$126,124	0.31%
3rd	323	\$653	\$213,075	0.52%
4th	324	\$1,011	\$329,675	0.80%
5th	323	\$1,450	\$473,788	1.15%
6th	324	\$2,093	\$686,061	1.67%
7th	324	\$5,523	\$1,832,315	4.46%
9th	324	\$12,158	\$4,096,431	9.97%
10th	323	\$52,414	\$32,200,673	78.40%
Total	3,235		\$41,087,278	100%

Table 25. Percent of Unincorporated Business Franchise Tax: Tax Remittances by Top 25, 50 and 100 Taxpayers, 1995 to 1997

Group	1995	1996	1997
Top 25	54.9%	61.2%	34.7%
Top 50	65.1%	68.5%	45.2%
Top 100	75.9%	76.0%	58.3%

Source: DC Office of Tax and Revenue

⁵ A 30% salary allowance for owners and a \$5,000 exemption are deductible from net income to arrive at taxable income. The tax does not apply to not-for-profit enterprises or to trade, business, or professional organizations that by law, customs, or ethics cannot be incorporated, such as doctors and lawyers.

Trends in the Franchise Tax Base and Tax Revenues

• The tax base of the Corporate Franchise Tax relative to the District's economy increased from 1992 to 1998, although the percentage remains below its level in the late 1980's.

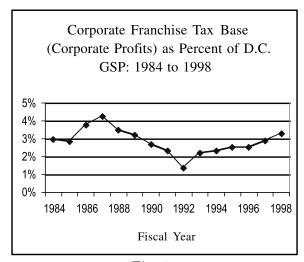


Fig. 15

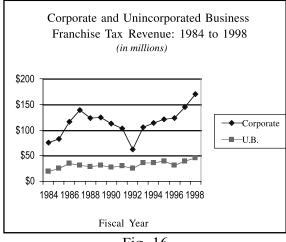


Fig. 16

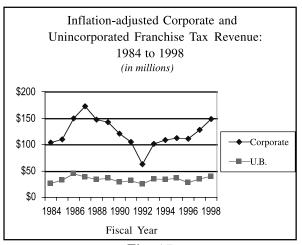


Fig. 17

Gross Receipts and Arena Fee

The Arena Fee, which is based on gross receipt categories, is required to be paid by any person or entity that is subject to the D.C. corporate franchise tax or the D.C. unincorporated business franchise tax, or for-profit entities subject to the D.C. Unemployment Compensation Act. Under the Tax Parity Act of 1999, the threshold for payment of the Arena Fee is raised to \$2,000,000 beginning in Fiscal Year 2000.

- In 1998, 29,000 firms reported gross receipts totaling \$40.8 billion.
- 57% of reported gross receipts were in 346 firms (1% of all firms) each with receipts over \$15 million.
- 77% of all firms reported gross receipts under \$500,000 and accounted for 5% of all gross receipts.

Table 26. Number of Firms and Total Gross Receipts by Arena Fee Gross Receipts Category, 1998 (preliminary)

	Fir	ms	Gross Receipts		
Gross Receipts Category	Number	Percent of Total	Amount (\$ million)	Percent of Total	
\$0 to \$200,000	18,470	63.7%	\$692	1.7%	
\$200,000 to \$500,000	3,880	13.4%	\$1,267	3.1%	
\$500,000 to \$1 million	2,525	8.7%	\$1,810	4.4%	
\$1 million to \$3 million	2,313	8.0%	\$4,062	10.0%	
\$3 million to \$10 million	1,254	4.3%	\$6,843	16.8%	
\$10 million to \$15 million	221	0.8%	\$2,686	6.6%	
Greater than \$15 million	346	1.2%	\$23,429	57.8%	
Total	29,009	100.0	\$40,789	100.0	

Source: DC Office of Tax and Revenue

Withholding and Business Taxes Generated and Revenue by Industry Segment

Table 27. FY 1997 Percentage Distribution of Remittances by Industry Segment for Five Taxes: Sales and Use Tax, Personal Property Tax, Corporate Franchise Tax, Unincorporated Business Tax, and Withholding for the Individual Income Tax

	Number of entities filing returns*	Personal Property	Unincorp. Business Franchise	Corporate Franchise	Sales and Use	D.C. With- holding
PROFESSIONAL SERVICES	8,432	12.4%	2.2%	3.2%	2.4%	29.6%
Medical	2,283	1.3	0.3	0.9	0.2	3.8
Legal	2.318	7.5	0.3	1.0	0.4	8.2
Educational	1,510	0.2	0.1	0.6	0.6	8.3
Social Services	1,329	0.7	0.1	0.2	0.4	6.4
Membership organizations	992	2.7	1.4	0.5	0.8	3.0
BUSINESS AND MISC. SERVICES	25,746	14.9	14.6	36	19.4	33.2
Computer and data processing	1,282	0.7	0.4	2.2	1.0	2.1
Personal Services	0.3	0.7	0.5	0.9	0.6	
Other business and other services	22,912	13.9	13.6	33.4	17.4	30.5
HOSPITALITY INDUSTRY	2,046	4.0	6.5	1.9	35.0	3.4
Hotels	271	2.4	5.3	0.7	17.1	1.3
Eating and drinking establishments	1,777	1.6	1.2	1.2	17.9	2.2
TRADE	8,418	6.2	3.1	14.1	26.8	8.0
Wholesale	1,489	0.8	1.0	2.6	3.8	1.2
Retail	6,929	5.4	2.1	11.5	23.0	6.8
OTHER	13,768	60.4	60.3	39.1	15.4	16.8
Printing	687	0.6	0.2	1.7	1.5	1.4
Other manufacturing	1,927	1.0	0.5	3.8	2.4	2.3
Construction	3,104	0.8	2.8	3.4	1.8	1.9
Transportation, Comm. and utilities	1,103	54.0	5.9	14.7	5.8	5.3
Finance and Insurance	1,489	2.5	4.1	12.0	0.8	4.3
Real Estate	5,139	1.4	46.8	3.4	3.0	1.6
NOT IDENTIFIED	6,457	2.1	13.3	5.6	1.1	9.0
TOTAL	65,026	100	100	100	100	100

*Includes not-for-profit entities and firms outside of D.C. employing D.C. residents Source: Office of Tax and Revenue

Construction Permits and Real Estate Transfers

The value of construction permits increased 8-fold in 1997, then fell in 1998.

The surge in commercial construction permits in 1997 represented a value of construction greater than in any year in the 1977 to 1998 period.

Table 28. Value of Residential and Commercial Construction Permits: 1994-1998 (\$ millions)

• Adjusted for inflation, the 1997 value is less than 1987 and 1990, and as a percent age of GDP is less than 5 of the years in the 1980's.

	1994	1995	1996	1997	1998
Residential	20.5	24.5	21.4	91.2	35.9
Commercial	79.8	77.5	101.7	1003.8	343.1
Total	100.3	102.3	133.1	1,095.0	379.0

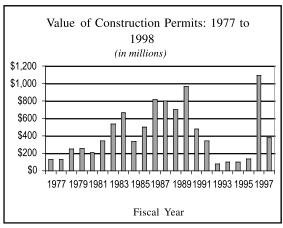


Fig. 18

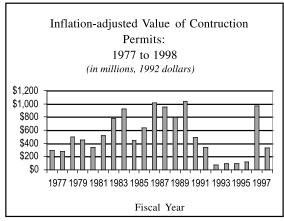


Fig. 19

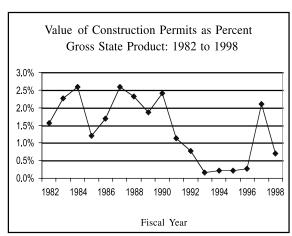


Fig. 20

The Value of Real Property Transfers

The District of Columbia levies a tax of 1.1% on the value of all real property transfers in the city. Also, the District levies a tax of 2.2% on the transfer of economic interest in property held by corporations, trusts, or partnerships. The value of property transferred represents the tax base of the deed transfer tax.

- In inflation-adjusted terms, the value of real estate transferred in 1998 was about equal to the previous peak year of 1987
- Property transfers in FY 1998 were about 10% of the value of all taxable assessed property in the District.

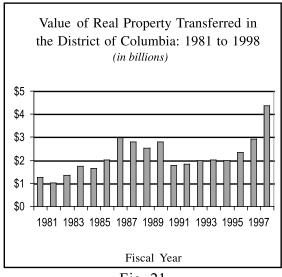


Fig. 21

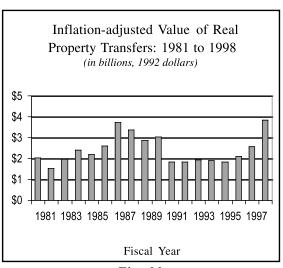


Fig. 22

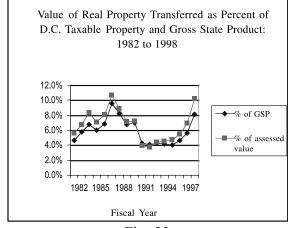


Fig. 23

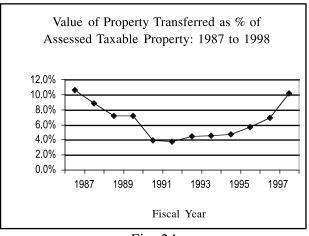


Fig. 24

Table 1. D.C. Gross State Product, 1977-1998

[Billions of dollars; quarterly data at seasonally adjusted annual rates]

	T	[Billions of C	Joliais, qua		at seasonally Amount by S		illiuai rates	J	D _a ,	rcent by sec	aton
			r	T	Amount by S	T	T	Γ	1 67	cent by sec	107
1				1							
	1			Transpor-							
				tation,							
V	Tatal Casas	Manu	Construe	utilities, and					Covern		
Year or	Total Gross	Manu- facturing	Construc- tion	commun- ications	insurance, and real estate	Trade	Services	Government	Govern- ment	Services	Other
quarter 1972	state product*	idotating	1011	locations	Tour coluito	11000	00171000	COVOITATION	mon	00/1/000	08101
1973											
1974											
1975											
1976	45.00	0.44	0.24	1 10	4.67	1 10	2.24	7 00	47 40/	04.00/	24.006
1977 1978	15.22 16.62	0.44 0.53	0.34 0.36	1.18 1.21	1.67 1.86	1.12 1.19		7.22 7.85	47.4% 47.2%	21.3% 21.7%	31.2% 31.0%
1979	18.09	0.53	0.30	1.25	2.07	1.19	4.08	8.43	46.6%	22.6%	30.8%
1075	10.00	0.02	0.07	1.20	2.07	1.20	4.00	Q.*10	70.075	22.070	
1980	19.48	0.65	0.37	1.3	2.19	1.31	4.64	9.02	46.3%	23.8%	29.9%
1981	21.02	0.69	0.36	1.39	2.49		5.20	9.46	45.0%	24.7%	30.3%
1982	22.24	0.69	0.36	1.46	2.66	1.44	5.71	9.91	44.6%	25.7%	29.8%
1983	24.08	0.89	0.35	1.62	3.01	1.53	6.26	10.42	43.3%	26.0%	30.7%
1984	26.19	0.91	0.40	1.70	3.30	1.65	7.10	11.12	42.5%	27.1%	30.4%
1985	28.03	1.06	0.45	1.76	3.72	1.70	7.77	11.55	41.2%	27.7%	31.1%
1986	29.76	1.14	0.51	1.83	4.07	1.78	8.54	11.87	39.9%	28.7%	31.4%
1987	31.91	1.26	0.54	1.93	4.47	1.81	9.42	12.46	39.0%	29.5%	31.4%
1988	35.11	1.38	0.57	2.09	5.05	1.94	10.61	13.46	38.3%	30.2%	31.4%
1989	38.01	1.47	0.60	2.19	5.78	2.01	11.70	14.26	37.5%	30.8%	31.7%
1990	40.67	1.38	0.62	2.26	6.28	2.04	12.89	15.18	37.3%	31.7%	31.0%
1991	42.57	1.28	0.51	2.49	6.36	1.99	13.31	16.61	39.0%	31.3%	29.7%
1992	44.77	1.30	0.42	2.46	6.79	2.01	14.03	17.74	39.6%	31.3%	29.0%
1993	47.03	1.22	0.40	2.57	7.36	1.96	14.75	18.74	39.8%	31.4%	28.8%
1994	48.14	1.24	0.43	2.53	7.02	1.98	15.69	19.23	39.9%	32.6%	27.5%
1995	49.69	1.18	0.43	2.59	7.86	1.96	16.08	19.56	39.4%	32.4%	28.3%
1996	51.19	1.18	0.43	2.77	8.86	1.95	16.68	19.18	37.5%	32.6%	29.9%
1997	52.49	1.32	0.46	2.58	9.24	1.95	17.57	19.34	37.2%	33.0%	29.7%
1998**	53.75	1.34	0.45	2.39	9.72	1.97	18.35	19.51	36.8%	33.6%	29.7%
1995:1	48.89	1.17	0.42	2.54	7.50	1.98	15.82	19.43	39.7%	32.4%	27.9%
1995:2	49.41	1.17	0.44	2.55	7.70	2.00	16.02	19.50	39.5%	32.4%	28.1%
1995:3 1995:4	49.97 50.50	1.17 1.20	0.43 0.42	2.59 2.70	7.99 8.25	1.94 1.95	16.17 16.30	19.65 19.66	39.3% 38.9%	32.4% 32.3%	28.3% 28.8%
1555.4	00.00	1.20	0.42	2	0.20	1.00	10.00	10.00	00.070	02.070	20.070
1996:1	50.97	1.27	0.43	2.80	8.72	1.95	16.43	19.35	38.0%	32.2%	29.8%
1996:2	50.76	1.28	0.43	2.78	8.75	1.91	16.45	19.14	37.7%	32.4%	29.9%
1996:3 1996:4	51.35 51.70	1.31 1.29	0.46 0.46	2.79 2.71	8.96 9.01	1.99 1.95	16.87 16.98	18.96 19.27	36.9% 37.3%	32.9% 32.8%	30.2 % 29.9 %
1990.4	31.70	1.29	0.40	2.71	9.01	1.93	10.30	19.21	37.3%	32.0%	29.370
1997:1	52.03	1.30	0.48	2.61	9.05	1.97	17.16	19.44	37.4%	33.0%	29.7%
1997:2	52.31	1.29	0.46	2.62	9.26	1.91	17.17	19.56	37.4%	32.8%	29.8%
1997:3	52.92	1.30	0.45	2.62	9.35	1.94	17.40	19.84	37.5%	32.9%	29.6%
1997:4	52.99	1.31	0.44	2.57	9.40	1.96	17.63	19.66	37.1%	33.3%	29.6 %
1998:1**	53.47	1.31	0.46	2.55	9.49	2.00	17.87	19.77	37.0%	33.4%	29.6 %
1998:2**	53.83	1.33	0.44	2.52	9.63	1.99	17.99	19.91	37.0%	33.4%	29.6%
1998:3**	54.36	1.34	0.43	2.49	9.72	1.99	18.15	20.23	37.2%	33.4%	29.4%
1998:4**	55.10	1.34	0.43	2.49	9.87 **Estimated t	2.00	18.55	20.40	37.0%	33.7%	29.3%

*Includes small amounts for mining and agriculture

**Estimated by Standard and Poor's DRI, Inc.

Source: U.S. Department of Commerce, Bureau of Economic Analysis (through 1996); accessed through Standard and Poor's DRI, Inc.

Table 2. Real D.C. Gross State Product, 1972-1998

[Billions of 1992 dollars; quarterly data at seasonally adjusted annual rates]

		[Billions of	1992 dolla		y data at se		ajustea arim	uai ratesj		4.1	
				A.	mount by S	ector	T		Pei	rcent by sec	ctor
Year or	Total Gross	Manu-	Construc-	Transpor- tation, utilities, and commun-	Finance, insurance, and real			Govern-	Govern-		
quarter	state product*	facturing	tion	ications	estate	Trade	Services	ment	ment	Services	Other
1972											
1973 1974											
1975											
1976											
1977	1										
1978											
1979					·						
1980	40.07	1.28	0.55	1.99	4.78	1.88	10.13	19.55	48.8%	25.3%	25.9%
1981 1982	37.70	1.18	0.33	1.88	4.77	1.83	10.13	17.46	46.3%	26.9%	26.8%
1983	38.85	1.43	0.46	1.98	4.94	1.90	10.25	17.92	46.1%	26.4%	27.5%
1984	39.45	1.39	0.51	1.97	5.14	2.02	10.91	17.51	44.4%	27.6%	28.0%
1985	39.09	1.53	0.56	1.93	5.36	2.04	11.34	16.30	41.7%	29.0%	29.3%
1986	39.30	1.53	0.59	1.92	5.30	2.19	11.77	15.95	40.6%	30.0%	29.4%
1987	40.24	1.65	0.59	2.06	5.65	2.07	12.30	15.87	39.4%	30.6%	30.0%
1988	42.41	1.75	0.60	2.23	6.25	2.18	13.12	16.22	38.2%	30.9%	30.8%
1989	44.24	1.74	0.62	2.28	6.84	2.21	13.82	16.70	37.7%	31.2%	31.0%
1990	45.34	1.55	0.63	2.32	6.92	2.15	14.31	17.45	38.5%	31.6%	30.0%
1991	44.56	1.35	0.51	2.51	6.55	2.02	14.04	17.54	39.4%	31.5%	29.1%
1992	44.76	1.30	0.43	2.46	6.79	2.01	14.03	17.74	39.6%	31.3%	29.0%
1993	45.46	1.16	0.39	2.52	7.08	1.94	14.28	18.95	41.7%	31.4%	26.9%
1994	45.56	1.14	0.40	2.46	7.17	1.93	14.68	18.73	41.1%	32.2%	26.7%
1995	44.55	1.09	0.38	2.44	7.38	1.90	14.58	16.80	37.7%	32.7%	29.6%
1996	43.98	1.11	0.38	2.60	7.68	1.84	14.61	15.81	35.9%	33.2%	30.8%
1997	44.15	1.09	0.40	2.55	7.96	1.87	14.29	16.03	36.3%	32.4%	31.3%
1998**	44.16	1.10	0.39	2.40	8.12	1.92	14.62	15.65	35.4%	33.1%	31.5%
1995:I	44.69	1.09	0.38	2.41	7.26	1.92	14.52	17.34	38.8%	32.5%	28.7%
ll l	44.69	1.09	0.39	2.40	7.30	1.94	14.64	16.84	37.7%	32.8%	29.6%
111	44.40	1.08	0.38	2.43	7.43	1.87	14.58	16.56 16.46	37.3% 37.0%	32.8% 32.8%	29.9% 30.2%
IV	44.44	1.09	0.36	2.53	7.52	1.87	14.57				
1996:1	44.29	1.12	0.37	2.61	7.71	1.85	14.64	16.15	36.5%	33.1%	30.5%
II 	43.81	1.10	0.37	2.58	7.59	1.80	14.60	15.80	36.1%	33.3%	30.6%
 	43.86	1.11	0.39	2.62 2.59	7.70 7.72	1.87 1.85	14.67 14.51	15.50 15.78	35.3% 35.9%	33.4% 33.0%	31.2% 31.1%
iV	43.96	1.10	0.40					1	- 1		
1997:I	44.05	1.10	0.41	2.56	7.82	1.89	14.27	16.01	36.3%	32.4%	31.3%
11	43.97	1.08	0.39	2.61	7.97	1.84	14.14 14.35	16.08 16.15	36.6% 36.4%	32.2% 32.3%	31.3% 31.4%
III IV	44.43 44.14	1.10 1.09	0.40 0.40	2.60 2.45	7.97 8.06	1.87 1.88	14.35	15.89	36.4%	32.5%	31.4%
1998:l**	44.10	1.08	0.40	2.46	8.06	1.87	14.55	15.71	35.6%	33.0%	31.4%
II**	44.18	1.10	0.40	2.41	8.13	1.92	14.60	15.65	35.4%	33.1%	31.5%
**	44.15	1.11	0.38	2.39	8.15	1.94	14.58	15.67	35.5%	33.0%	31.5%
IV**	44.21	1.12	0.38	2.36	8.16	1.95	14.74	15.56	35.2%	33.3%	31.5%

** Estimated by Standard and Poor's DRI, inc.

Table 3. D.C. Personal Income, 1972-1998

[Billions of dollars: quarterly data at seasonally adjusted annual rates]

			[Billions of	of dollars; o	quarterly c	lata at seas	onally adju					
I			Incom	e earned i	n D.C.		Сотр	onents of	Income o	f D.C. resi	dents*	_
١]						
-										ł		
١	1						Earned	1			1	
ł			Wage and				income:					
-		Total,	salary			Non-	Wage,	Other			Social	
İ	Year or	Personal	disburse-	Proprietor		resident	salary, &	labor	Property	Transfer	insurance	Real personal
ı	quarter	Income	ments	Income	Total	adjustment	proprietor**	income	income	payments	(deduct)	income,\$1992
•	1972	4.52	6.71	0.38	6.71	-3.79	2.92	0.38	0.26	0.75	-0.36	
	1973	4.80	7.18	0.37	7.18	-4.05	3.13	0.37	0.28	0.83	-0.40	
	1974	5.26	7.76	0.41	7.76	-4.41	3.35	0.41	0.33	0.97	-0.44	14.21
					ŀ						1	<u> </u>
	1975	5.75	8.35	0.48	8.35	-4.87	3.48	0.48	0.42	1.19	-0.48	
	1976	6.14	8.97	0.54	8.97	-5.32	3.65	0.54	0.50	1.26	-0.52	I .
	1977	6.61	9.59	0.67	9.59	-5.79	3.80	0.67	0.57	1.33	-0.55	
	1978	7.02	10.49	0.72	10.49	-6.50	3.99	0.72	0.65	1.39	-0.60	14.50
	1979	7.45	11.42	0.75	11.42	-7.28	4.14	0.75	0.72	1.56	-0.67	14.13
											1	i
	1980	7.92	12.46	0.77	12.46	-8.26	4.20	0.77	0.80	1.78	-0.74	13.54
	1981	8.63	13.22	0.80	13.22	-8.77	4.45	0.80	0.87	1.97	-0.82	13.54
	1982	9.23	13.97	0.84	13.97	-9.24	4.73	0.84	0.95	2.11	-0.88	1
	1983	9.65	14.84	0.87	14.84	-9.77	5.07	0.87	1.06	2.16	-1.00	13.70
	1984	10.53	16.13	0.99	16.13	-10.60	5.53	0.99	1.17	2.24	-1.09	14.39
	1001											
	1985	11.12	17.26	1.02	17.26	-11.30	5.96	1.02	1.26	2.26	-1.22	14.67
	1986	11.70	18.29	1.08	18.29	-11.90	6.39	1.08	1.31	2.34	-1.31	15.00
	1987	12.46	19.77	1.17	19.77	-12.94	6.83	1.17	1.50	2.43	-1.39	15.39
	1988	13.73	21.78	1.38	21.78	-14.37	7.41	1.38	1.70	2.58	-1.54	16.28
	1989	14.63	23.17	1.37	23.17	-15.42	7.75	1.37	1.95	2.62	-1.68	16.54
	1505	14.00	20.17	1.07	20.17	10.12		'			,,,,,	
	1990	15.48	24.63	1.62	24.63	-16.58	8.05	1.62	2.16	2.81	-1.80	16.67
	1991	16.05	25.63	1.66	25.63	-17.46	8.17	1.66	2.36	3.13	-1.91	16.58
	1992	16.73	26.91	1.77	26.91	-18.54	8.37	1.77	2.57	3.39	-1.99	16.73
	1993	17.26	27.79	2.03	27.79	-19.36	8.43	2.03	2.73	3.55	-2.08	16.82
	1994	17.66	28.51	2.07	28.51	-20.01	8.50	2.07	2.81	3.61	-2.14	16.79
	1334	17.00	20.01	2.07	20.01	20.01	0.00	2.07	2.0.	0.0.		
	1995	17.78	28.81	2.18	28.81	-20.25	8.56	2.18	2.75	3.59	-2.17	16.53
	1996	18.24	29.18	2.23	29.18	-20.49	8.69	2.23	2.63	3.76	-2.18	16.62
	1997	18.67	30.06	2.27	30.06	-21.12	8.94	2.27	2.61	3.96	-2.26	16.70
	1998	19.33	31.27	2.37	31.57	-22.13	9.44	2.38	2.68	4.07	-2.35	17.15
	1550	10.00	01.27	2.01	01.07	22.10	0.11	2.00				
	1995:1	17.68	28.70	2.13	28.70	-20.19	8.51	2.13	2.81	3.54	-2.16	16.57
	11	17.77	29.00	2.17	29.00	-20.43	8.57	2.17	2.79	3.58	-2.18	16.55
	111	17.78	28.76	2.20	28.76	-20.22	8.54	2.20	2.72	3.62	-2.16	16.48
	IV	17.90	28.78	2.22	28.78	-20.18	8.60	2.22	2.68	3.64	-2.16	16.53
	1996:1	18.11	29.40	2.22	29.40	-20.74	8.66	2.22	2.68	3.71	-2.20	16.64
	11	18.04	28.58	2.23	28.58	-20.04	8.54	2.23	2.59	3.73	-2.14	16.47
	111	18.30	29.09	2.22	29.09	-20.38	8.71	2.22	2.61	3.78	-2.18	16.65
	IV	18.52	29.65	2.23	29.65	-20.79	8.86	2.23	2.64	3.84	-2.22	16.74
						ļ				,		
	1997:1		29.93	2.24	29.93	-21.10	8.83	2.24	2.64	3.90	-2.25	16.64
	11	18.56	29.73	2.27	29.73	-20.90	8.83	2.27	2.60	3.95	-2.23	16.62
	111	18.78	30.40	2.29	30.40	-21.35	9.05	2.29	2.63	3.98	-2.29	16.77
	IV	18.81	30.19	2.30	30.19	-21.13	9.06	2.30	2.58	4.01	-2.27	16.75
	1000	40.44] ,, ,]	2.4	24.00	04.00	0.07	2 24	266	4.05	-2.34	17.01
	1998:1	19.11	31.07	2.34	31.09	-21.82	9.27	2.34	2.66	4.05	-2.34	17.01
	11	19.29	31.01	2.36	31.48	-22.06 -22.22	9.42 9.53	2.36 2.39	2.68 2.68	4.07	-2.35 -2.35	17.14
	111	19.44	31.27	2.38 2.41	31.75 31.97	-22.22	9.55	2.42	2.69	4.07	-2.33	17.23
	IV	19.50	31.73	2.41	31.37	-22.42	9.55	2.44	60.2 C. mi. b. n	-1.00 J	recident ad	

**These are the components of D.C. Personal Income **Equals the sum of income earned in D.C. and non-resident adjustment Source: U.S. Department of Commerce, Bureau of Economic Analysis; accessed through Standard and Poor's DRI, inc.

Table 3, continued. D.C. Personal Income

[Quarterly data at seasonally adjusted annual rates]

		[Quarterly dat	a at seasonall	y adjusted anr	ual rates]				· · · · · · · · · · · · · · · · · · ·
1			Per capita	pers. inc.	Per Household p	ers. Inc.	1		
	1				1		l		
						ŀ]	ŀ
1					1		Income Earned		Disposable
	Disposable				ļ		by D.C.	Earned income	personal
Year		Real disposable				1	Residents as % of Income	as % of total personal	income as % of total personal
quar	1 .	income, \$1992 billion	Nominal	Real	Nominal	Real	earned in D.C.	income	income
197			6,090	19,090			46.5%	73.0%	86.7%
197		1	6,560	19,510			46.4%	72.9%	87.3%
197			7,310	19,740			46.0%	71.5%	86.9%
				·				1	
197	5 5.07	12.65	8,120	20,260			44.8%	68.9%	88.2%
197		I .	8,840	20,890	23,661	55,877	44.1%	68.2%	87.5%
197		1	9,710	21,510	25,620	56,744	43.6%	67.6%	87.0%
197		12.59	10,500	21,700	27,583	56,974	42.0%	67.1%	86.9%
197		12.2	11,430	21,660	28,977	54,959	40.2%	65.6%	86.4%
			·	,	ŕ	i i			
198	0 6.84	11.7	12,420	21,240	31,304	53,518	37.6%	62.8%	86.4%
198	1 7.42	11.64	13,550	21,270	34,192	53,645	37.4%	60.8%	86.0%
198		11.83	14,560	21,610	36,656	54,408	37.6%	60.3%	86.3%
198	3 8.42	11.96	15,270	21,670	38,263	54,322	37.8%	61.6%	87.3%
198	4 9.23	12.62	16,620	22,720	41,359	56,520	38.1%	61.9%	87.7%
198	5 9.33	12.31	17,510	23,080	43,625	57,552	38.2%	62.8%	83.9%
198	6 9.81	12.58	18,350	23,530	45,052	57,759	38.6%	63.8%	83.8%
198	7 10.34	12.78	19,600	24,210	47,960	59,238	38.2%	64.2%	83.0%
198	8 1164	13.8	21,820	25,880	53,073	62,930	38.0%	64.0%	84.8%
198	9 12.35	13.96	23,600	26,680	57,059	64,509	37.2%	62.3%	84.4%
199	0 13.13	14.13	25,690	27,640	62,019	66,787	36.8%	62.5%	84.8%
199	1 13.74	14.19	27,090	27,980	64,901	67,044	36.0%	61.2%	85.6%
199	2 14.41	14.41	28,650	28,650	68,119	68,119	35.4%	60.6%	86.1%
199	3 14.76	14.38	30,010	29,230	71,146	69,332	35.1%	60.6%	85.5 %
199	4 15.03	14.30	31,310	29,780	74,139	70,487	34.6%	59.9%	85.1%
199		28.81	32,290	30,020	75,886	70,551	34.7%	60.4%	85.9%
199		29.18	33,900	30,890	78,927	71,917	34.8%	59.9%	85.4%
199		30.06	35,340	31,600	81,707	73,085	34.7%	60.0%	84.6%
199	8 16.09	31.27	36,710	32,550	84,217	74,660	34.8%	60.9%	83.8%
1995	15.16	14.20	31,820	29,810	75,011	70,301	34.5%	60.2%	85.7%
	II 15.26	14.21	32,170	29,960	75,714	70,516	34.5%	60.4%	85.9%
	15.29	14.17	32,380	30,020	76,048	70,488	34.7%	60.4%	86.0%
l'	/ 15.39	14.22	32,800	30,290	76,857	70,975	34.9%	60.4%	86.0%
						74.000	24.40	00.40	05.70/
1996		14.26	33,390	30,670	77,993	71,662	34.4%	60.1%	85.7%
	15.38	14.04	33,450	30,540	77,960	71,175	35.0%	59.7%	85.3%
1		14.21	34,100	31,020	79,289	72,140	34.9%	59.7%	85.4%
ľ	/ 15.77	14.26	34,670	31,340	80,487	72,751	34.8%	59.9%	85.2%
			24 240	04.000	20.000	70.000	24.40	50.89/	84.9%
1997		14.12	34,840	31,300	80,803	72,600	34.4%	59.8%	
	15.73	14.09	35,080	31,430	81,225	72,735	34.7%	59.8%	84.8%
1	1	14.18	35,640	31,820	82,296	73,488	34.7%	60.4%	84.6% 84.4%
1,	/ 15.87	14.13	35,790	31,870	82,464	73,433	35.0%	60.4%	04.4%
1998	1 16.05	14.29	36,430	32,440	83,779	74,616	34.8%	60.8%	84.0%
	16.05	14.29	36,610	32,530	84,079	74,737	35.0%	60.9%	83.8%
l l		14.27	36,850	32,660	84,437	74,737	34.9%	61.1%	83.6%
17	1	14.20	36,940	32,580	84,450	74,830	34.4%	61.0%	83.6%
1,	10.12	14.21	30,940	32,300	04,450	14,403	34.470	01.0%	03.070

^{*}Includes small amounts for mining and agriculture

Source: U.S. Department of Commerce, Bureau of Economic Analysis; accessed through Standard and Poor's DRI, inc.

Table 4. At-place Wage and Salary Employment in the District of Columbia, 1972-1998

(Thousands of jobs; quarterly data at seasonally adjusted rates)

					(Thousands of jobs; quarterly data at seasonally adjusted rates) Amount by Sector					Percent by sector		
		1								rer	ceni by sec	tor
		1										
- i					Transpor-							
1		Total, At-place			tation,	Finance,						
		wage and			utilities, and	insurance,						
	Year or	salary	Manu-	Construc-		and real			Govern-			
L	quarter	employment	facturing	tion		estate	Trade	Services	.		Services	L
	1972	572.02	17.82	19.33	28.56	33.42	73.85	138.83	260.12	45.5%	24.3%	30.3%
	1973	577.91	17.42	20.64	28.99	33.63	71.94	141.43	263.77	45.6%	24.5%	29.9%
	1974	585.69	16.97	22.08	29.33	34.36	67.47	144.57	270.82	46.2%	24.7%	29.1%
	1975	584.80	15.49	19.66	28.69	33.17	64.88	145.03	277.77	47.5%	24.8%	27.7%
	1976	579.55	15.30	16.31	24.65	33.23	63.94	146.48	279.55	48.2%	25.3%	26.5%
	1977	578.72	14.76	14.45	25.64	33.65	64.11	150.48	275.54	47.6%	26.0%	26.4%
	1978	596.25	14.97	14.51	25.61	33.85	64.50	161.23	281.47	47.2%	27.0%	25.8%
	1979	612.41	15.30	14.29	26.01	34.66	65.27	172.44	284.33	46.4%	282%	25.4%
	1980	616.84	15.38	13.25	25.73	34.44	63.60	182.35	282.09	45.7%	29.6%	24.7%
	1981	611.16	14.49	11.74	26.47	34.25	63.02	188.01	273.19	44.7%	30.8%	24.5%
	1982	597.77	13.69	10.62	25.91	34.74	60.03	192.04	260.74	43.6%	32.1%	24.3%
	1983	596.30	14.22	10.08	25.78	34.52	58.82	194.12	258.77	43.4%	32.6%	24.1%
	1984	613.51	14.46	11.52	26.09	34.83	62.46	203.62	260.53	42.5%	33.2%	24.3%
	1985	628.75	14.83	13.62	25.41	34.76	62.67	212.59	264.87	42.1%	33.8%	24.1%
	1986	639.77	15.69	14.11	24.88	36.25	62.66	219.38	266.79	41.7%	34.3%	24.0%
	1987	655.47	16.12	14.71	24.49	35.89	62.85	230.81	270.60	41.3%	35.2%	23.5%
	1988	673.50	16.34	14.01	25.13	34.33	63.77	243.75	276.17	41.0%	36.2%	22.8%
	1989	680.58	15.76	14.44	24.49	33.71	63.02	252.29	276.88	40.7%	37.1%	22.2%
	1990	686.06	15.67	14.36	24.09	34.24	61.61	258.67	277.42	40.4%	37.7%	21.9%
	1991	677.31	14.62	11.07	23.82	34.38	57.41	254.67	281.34	41.5%	37.6%	20.9%
	1992	673.43	13.97	9.01	22.08	32.93	54.74	254.86	285.84	42.4%	37.8%	19.7%
	1993	670.04	13.76	8.59	21.41	31.58	53.15	256.32	285.24	42.6%	38.3%	19.2%
	1994	658.54	12.99	9.03	20.87	31.09	52.78	261.33	270.45	41.1%	39.7%	19.2%
	1995	642.46	12.98	8.74	19.94	29.91	52.19	263.81	254.89	39.7%	41.1%	19.3%
	1996	622.96	13.01	8.86	19.10	28.69	50.04	262.75	240.50	38.6%	42.2%	19.2%
	1997	618.26	12.66	9.15	17.38	28.39	48.49	269.05	233.14	37.7%	43.5%	18.8%
	1998	615.33	12.47	8.93	16.18	28.97	48.24	273.57	226.99	36.9%	44.5%	18.7%
	1995:1	646.27	12.94	8.67	20.13	30.26	52.75	261.85	259.68	40.2%	40.5%	19.3%
	H 	645.79	13.03	9.08	19.87	29.91	53.42	265.14	255.35	39.5%	41.1%	19.4%
	III IV	640.05 637.73	12.95 13.03	8.83 8.40	19.73 20.03	29.85 29.61	51.35 51.23	264.41 263.83	252.93 251.59	39.5% 39.5%	41.3% 41.4%	19.2% 19.2%
	ıv	031.13	13.03		20.03	29.01	51.23	203.03		39.5%	41.470	19.270
	1996:i	631.11	13.20	8.58	19.87	29.56	50.65	262.33	246.93	39.1%	41.6%	19.3%
		621.40	12.99	8.61	19.15	28.51	49.25	261.22	241.67	38.9%	42.0%	19.1%
	III	619.85	13.05	9.09	18.98	28.48	50.67	263.70	235.88	38.1%	42.5%	19.4%
	IV	619.47	12.79	9.17	18.42	28.22	49.60	263.76	237.52	38.3%	42.6%	19.1%
	1997:I	619.10	12.80	9.30	17.78	28.22	49.65	265.79	235.56	38.0%	42.9%	19.0%
	11	616.11	12.59	8.98	17.76	28.47	47.98	266.45	233.88	38.0%	43.2%	18.8%
	III IV	621.33 616.51	12.76	9.19	17.50	28.28	48.29	271.76	233.56	37.6%	43.7%	18.7%
		010.01	12.49	9.12	16.48	28.60	48.05	272.19	229.58	37.2%	44.2%	18.6%
	1998:1	615.61	12.37	9.20	16.63	28.78	47.67	272.83	228.14	37.1%	44.3%	18.6%
	II 1 III 1	615.95 614.79	12.46 12.52	9.17 8.70	16.26 16.03	29.03 29.05	48.39 48.53	273.47 272.72	227.17 227.24	36.9%	44.4% 44.4%	18.7%
	IV	614.79	12.52	8.63	15.79	29.05	48.53	275.25	227.24	37.0% 36.7%	44.4%	18.7% 18.6%

^{*}Includes small amounts for mining and agriculture

Source: D.C. Department of Employment Services in Cooperation with the U.S. Department of Labor; accessed through Standard and Poor's DRI, inc.

Table 4, continued. At-place D.C. Wage and Salary Employment, 1972-1998

	Thousand	s of	^r jobs;	quarterly	data	at	seas	onally	ad	justed	rates	;
_				,		. ,						_

	Thousands of	fjobs; quar	erly data a	t seasonally	y adjusted i	rates
i			Amount	by Sector		
1						
		D.C.				
		Government				1
Year or	Federal			Business	Health	Other
quarter		transit			services	1
1972	572.02	17.82	19.33	28.56	33.42	73.85
1973	577.91	17.42	20.64	28.99	33.63	71.94
1974	585.69	16.97	22.08	29.33	34.36	67.47
1975	584.80	15.49	19.66	28.69	33.17	64.88
1976	579.55	15.30	16.31	24.65	33.23	63.94
1977	578.72	14.76	14.45	25.64	33.65	64.11
1978	596.25	14.97	14.51	25.61	33.85	64.50
1979	612.41	15.30	14.29	26.01	34.66	65.27
1980	616.84	15.38	13.25	25.73	34.44	63.60
1981	611.16	14.49	11.74	26.47	34.25	63.02
1982	597.77	13.69	10.62	25.91	34.74	60.03
1983	596.30	14.22	10.08	25.78	34.52	58.82
1984	613.51	14.46	11.52	26.09	34.83	62.46
. [i	l	
1985	628.75	14.83	13.62	25.41	34.76	62.67
1986	639.77	15.69	14.11	24.88	36.25	62.66
1987	655.47	16.12	14.71	24.49	35.89	62.85
1988	673.50	16.34	14.01	25.13	34.33	63.77
1989	680.58	15.76	14.44	24.49	33.71	63.02
1990	686.06	15.67	14.36	24.09	34.24	61.61
1991	677.31	14.62	11.07	23.82	34.24	57.41
1992	673.43	13.97	9.01	22.08	32.93	54.74
1993	670.04	13.76	8.59	21.41	31.58	53.15
1994	658.54	12.99	9.03	20.87	31.09	52.78
	- 1		- 1		i	
1995	642.46	12.98	8.74	19.94	29.91	52.19
1996	622.96	13.01	8.86	19.10	28.69	50.04
1997	618.26	12.66	9.15	17.38	28.39	48.49
1998	615.33	12.47	8.93	16.18	28.97	48.24
1995:I	646.27	12.94	8.67	20.13	30.26	52.75
1995.1	645.79	13.03	9.08	19.87	29.91	53.42
iii	640.05	12.95	8.83	19.73	29.85	51.35
ı∨	637.73	13.03	8.40	20.03	29.61	51.23
•				1		
1996:1	631.11	13.20	8.58	19.87	29.56	50.65
	621.40 619.85	12.99	8.61 9.09	19.15	28.51	49.25
III IV	619.47	13.05 12.79	9.09	18.98 18.42	28.48 28.22	50.67 49.60
''	013.47	12.73	3.17	10.42	20.22	43.00
1997:I	619.10	12.80	9.30	17.78	28.22	49.65
н	616.11	12.59	8.98	17.76	28.47	47.98
Ш	621.33	12.76	9.19	17.50	28.28	48.29
IV	616.51	12.49	9.12	16.48	28.60	48.05
1998:I	615.61	12.37	9.20	16.63	28.78	47.67
1998.1	615.95	12.37	9.20	16.26	29.03	48.39
iii	614.79	12.52	8.70	16.03	29.05	48.53
IV	614.97	12.52	8.63	15.79	29.01	48.36

Source: D.C. Department of Employment Services in Cooperation with the U.S. Department of Labor; accessed through Standard and Poor's DRI, inc.

Table 5. Population, Resident Employment, Labor Force, and Unemployment, 1972-1998

[amounts in thousands: quarterly data at seasonally adjusted annual rates]

[amounts in the	ousands; qua	rterly data at	seasonally ac	justed annual	rates]			
							Labor force	as percent of
1 1				Resident		Uemployment		D.C.
Year or quarter	Population	Households	Labor force	Employment*	Unemployed	rate	D.C. population	households
1972	742.6	#N/A	348.4	328.8	19.5	5.61	46.9%	N/A
1973	732.2	#N/A	348.1	325.5	22.6	6.50	47.5%	N/A
1974	719.8	#N/A	325.8	305.5	20.3	6.24	45.3%	N/A
1374	713.0	171477	325.0	000.5	20.0	0.24	40.070	, 6,71
1975	708.3	#N/A	341.6	315.4	26.2	7.66	48.2%	N/A
	694.3			310.7	25.5		48.4%	129.5%
1976		259.5	336.2	j	1	8.91		
1977	680.6	258.0	332.0	304.1	27.9	9.72	48.8%	128.7%
1978	668.1	254.5	338.0	310.0	28.0	8.28	50.6%	132.8%
1979	652.4	257.1	329.0	304.0	25.0	7.59	50.4%	128.0%
1000	227.7	050.0				-	50.00/	400 40/
1980	637.7	253.0	324.0	300.0	24.0	7.41	50.8%	128.1%
1981	636.5	252.4	304.0	277.0	27.0	8.88	47.8%	120.5%
1982	633.8	251.8	307.0	275.0	32.0	10.42	48.4%	121.9%
1983	632.3	252.2	319.0	282.1	37.0	11.59	50.5%	126.5%
1984	633.3	254.6	321.0	292.0	29.0	9.04	50.7%	126.1%
1985	635.4	254.9	323.0	296.0	27.0	8.36	50.8%	126.7%
1986	637.6	259.7	323.0	298.0	25.0	7.74	50.7%	124.4%
1987	635.8	259.8	331.0	310.0	21.0	6.35	52.1%	127.4%
1988	629.3	258.7	331.0	315.0	16.0	4.83	52.6%	128.0%
1989	620.1	256.4	315.0	299.0	16.0	5.08	50.8%	122.9%
			l	1				
1990	603.0	249.6	329.2	307.4	21.8	6.62	54.6%	131.9%
1991	592.8	247.3	314.6	290.0	24.7	7.84	53.1%	127.2%
1992	584.0	245.6	310.8	284.2	26.6	8.56	53.2%	126.5%
1993	575.5	242.6	307.4	280.9	26.5	8.62	53.4%	126.7%
1994	564.0	238.2	298.8	274.4	24.4	8.17	53.0%	125.4%
1995	550.9	234.3	284.1	258.8	25.3	8.90	51.6%	121.3%
1996	538.6	231.1	270.2	247.2	23.0	8.52	50.2%	116.9%
1997	529.2	228.5	257.0	236.6	20.4	7.92	48.6%	112.5%
1998	522.6	228.1	263.7	239.6	24.1	8.77	50.5%	115.6%
1000	022.0					•		
1995:1	555.8	235.7	289.2	264.3	25.0	8.64	52.0%	122.7%
II	552.5	234.7	285.9	260.0	25.9	9.07	51.8%	121.8%
Ш	549.3	233.8	282.0	256.6	25.4	9.02	51.3%	120.6%
IV	546.1	232.9	279.2	254.4	24.8	8.89	51.1%	119.9%
		1		į.		ı		
1996:I	542.9	232.2	276.4	252.4	24.0	8.70	50.9%	119.0%
	539.6	231.4	270.8	247.0	23.8	8.79	50.2%	117.0%
111	537.2	230.8	268.8	246.0	22.8	8.49	50.0%	116.5%
١٧	534.8	230.1	264.9	243.4	21.4	8.09	49.5%	115.1%
		i		İ				
1997:I	532.3	229.2	260.0	239.8	20.2	7.76	48.8%	113.4%
11	529.9	228.5	256.4	236.7	19.7	7.69	48.4%	112.2%
, III	528.2	228.2	255.8	235.2	20.6	8.06	48.4%	112.1%
IV	526.5	228.1	255.6	234.7	20.9	8.18	48.6%	112.1%
			l	1			- 1	
1998:1	524.8	228.1	262.0	236.7	25.3	9.66	49.9%	114.9%
11	523.1	228.0	266.9	244.5	22.4	8.41	51.0%	117.1%
111	521.8	228.1	262.3	239.6	22.7	8.66	50.3%	115.0%
IV	520.5	228.3	263.5	237.5	26.1	8.35	50.6%	115.4%
* Includes income e	arned by D.C. r	peidente auteide	of the District of	Columbia				

IV 520.5 228.3 263.5 23
* Includes income earned by D.C. residents outside of the District of Columbia

Source: U.S. Department of Commerce, Bureau of Economic Analysis; Bureau of Labor Statistics accessed through Standard and Poor's DRI, inc.

Table 6. Inflation, Housing, and Retail Sales

[quarterly data at seasonally adjusted annual rates]

		[quarterly da	ila at season	ally adjusted	annuarrate	Sj		
		rice index for		took of Housin			Botoil	aalaa
	D.C	, area		tock of Housir I	ig I		Retail	sales
		% change		Cinala famili.	Adville formally		Manainal (f)	D = =1 (# 00
Year or	Index	from previous year	Total ('000)	Single family ('000)	Multi-family ('000)	Housing	Nominal (\$ billion)	Real (\$ 92 billion)
quarter 1972	N/A	N/A	278	101	177	starts 632	N/A	N/A
1973	0.61	N/A	277	100	177	1,356	N/A	N/A
1974	0.67	11.24	277	99	177	1,153	N/A	N/A
						·		
1975	0.72	7.37	276	99	177	344	N/A	N/A
1976	0.74	2.83	275	98	177	1,457	N/A	N/A
1977	0.78	5.27	275	98	177	2,238	1.61	3.00
1978	0.84	6.88	276	98	178	2,278	1.59	2.96
1979	0.93	11.03	276	98	179	1,720	1.68	2.82
1980	1.04	11.86	275	98	177	2,299	1.76	2.66
1981	1.14	9.26	277	99	178	1,465	1.81	2.53
1982	1.20	5.50	278	100	178	659	1.86	2.52
1983	1.25	4.50	279	101	178	192	2.05	2.70
1984	1.31	4.81	279	101	178	362	2.30	2.96
						j		
1985	1.37	4.22	280	102	178	487	2.45	3.07
1986	1.41	2.85	281	103	178	531	2.45	3.06
1987	1.46	3.61	282	104	178	1,039	2.65	3.15
1988	1.52	4.11	283	105	178	997	2.78	3.20
1989	1.61	5.79	284	106	178	577	2.83	3.12
1990	1.70	5.97	284	106	178	476	3.13	3.29
1991	1.77	4.10	282	106	176	212	3.12	3.18
1992	1.82	2.48	280	105	175	231	3.44	3.44
1993	1.87	3.19	279	105	174	198	3.77	3.72
1994	1.91	1.86	277	104	173	269	3.80	3.69
1995	1.95	2.38	275	104	171	119	3.51	3.37
1996	2.01	3.00	273	103	170	98	3.44	3.27
1997 1998	2.05 2.08	1.78 1.37	271 269	103 102	168 167	51 327	3.50 3.82	3.32 3.66
1990	2.00	1.57	203	102	10/	321	3.02	3.00
1995:I	1.94	2.17	277	104	172	287	3.84	3.70
11	1.95	2.72	276	104	172	119	3.53	3.40
111	1.96	2.33	275	104	171	17	3.38	3.25
IV	1.97	2.29	274	103	171	54	3.27	3.15
1996:1	1.99	2.65	274	103	170	79	3.36	3.21
II .	2.01	2.94	274	103	170	115	3.46	3.29
111	2.02	2.94	273	103	170	104	3.46	3.29
IV	2.03	3.47	272	103	169	94	3.47	3.29
1007.1	2 04	2 02	274	102	100		2.52	2.24
1997:I II	2.04 2.04	2.83 1.76	271 271	103 103	169 168	60 53	3.53 3.40	3.34 3.22
111	2.04	1.63	271	103	168	53	3.40	3.40
IV	2.05	0.91	270	102	168	37	3.50	3.33
						1		
1998:1	2.06	0.84	270	102	168	97	3.67	3.51
- 11	2.07	1.37	269	102	167	80	3.86	3.70
III IV	2.08 2.09	1.37	269	102	167	232	3.82	3.66
IV * Ν/Δ = not anni		1.91	268	102	166	900	3.94	3.78

* N/A = not applicable

Source: U.S. Department of Commerce, Bureau of Economic Analysis; accessed through Standard and Poor's DRI, inc.

Table 7. Demographic Information for the District of Columbia, 1972-1998

[in thousands; quarterly data at seasonally adjusted annual rates]

			[in thous	ands; qua	rterly data	a at seasc	nally adju	ısted annı	ual rates]
ı					Popula	tion by ag	e group		
l	Year or	Total							65 and
ı	quarter	Population	0-15	16-24	25-34	35-44	45-54	55-64	over
٠	1972	742.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	1973	732.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	1974	719.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	1975	708.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	1976	694.2	147.7	125.6	127.1	78.5	74.4	68.5	72.5
	1977	680.6	138.4	124.9	125.9	78.4	71.7	68	73.3
	1978	668.1	130	124.3	124.3	79.1	69.4	67.5	73.5
	1979	652.4	121.5	122.6	122.6	78.7	66.9	66.4	73.8
							55.5	00.1	, 0.0
	1980	637.7	122.6	117.5	122.5	74.2	63.3	63.5	74
	1981	636.5	120.5	114.9	128.3	75.3	60.8	62.8	73.9
	1982	633.8	117.5	111.7	130.7	78.7	59.2	62	74
	1983	632.3	114.8	108.6	132.9	81.4	58.4	61.3	74.9
	1984	633.3	112.9	106.4	135.3	84.5	57.9	60.7	74.9 75.5
	1904	033.3	112.9	100.4	135.3	04.5	57.9	60.7	75.5
	1985	635.4	111.8	104.9	137	07 5	50	50.0	76.2
	1986		110.8			87.5	58	59.9	76.3
		637.6		103.5	138.6	91.1	58.5	58.5	76.6
	1987	635.7	109.7	102	137.3	93.6	59.3	56.7	77.2
	1988	629.3	108.6	100.6	133	94.8	60.6	54.8	76.8
	1989	620.1	107.6	99.2	127	95.7	61.4	52.7	76.6
	1990	603	104.6	96	120.4	93.8	61	50.5	76.6
	1991	592.8	103.3	87.3	120.6	94.8	60.9	49.1	76.9
	1992	584	103.9	80.7	119	93.2	62.5	47.7	76.9
	1993	575.5	103.9	74.6	116.9	92.4	63.8	47	76.8
	1994	564	103.5	68.6	114	90.9	64.5	46.1	76.4
					- 1				70.1
	1995	550.9	102.9	62.1	110.9	89.1	64.9	45.2	75.8
	1996	538.6	99.2	56.1	108.9	88.2	66.3	45.3	74.7
	1997	529.2	97.3	52.9	104.9	87.6	67.5	45.5	73.4
	1998	522.6	93.9	49.9	102.6	86.8	68.5	46.5	74.3
			[1		[
	1995:I	555.8	103.5	64.4	112	89.7	64.6	45.5	76.1
	11	552.5	103.3	62.8	111.2	89.2	64.7	45.2	76
	111	549.3	102.8	61.2	110.5	88.9	64.9	45.1	75.8
	IV	546.1	101.8	59.7	110	88.6	65.3	45.1	75.5
	1996:I	542.9	100.4	57.9	109.9	88.5	65.8	45.2	75.1
	11	539.6	99.4	56.4	109.4	88.2	66.1	45.2	74.8
	111	537.2	98.8	55.3	108.7	88.1	66.5	45.3	74.5
	IV	534.8	98.3	54.5	107.7	87.9	66.8	45.4	74.2
	1997:1	532.3	98.2	54.1	106.2	97.0	67	45.4	72.6
	1997.1	529.9	97.7	53.3	106.2 105.2	87.8 87.7	67 67.3	45.4 45.4	73.6 73.3
	111	529.9	97.1	52.6	105.2	87.7	67.6	45.4	
	IV	526.5	96.3	52.6 51.8					73.3
	IV	520.5	90.3	51.6	103.9	87.4	67.9	45.8	73.5
	1998:1	524.8	95.1	51	103.4	87.1	68.1	46.2	74
	11	523.1	94.2	50.2	102.8	86.9	68.3	46.4	74.2
	Ш	521.8	93.4	49.6	102.3	86.8	68.7	46.6	74.4
	IV	520.5	92.7	48.9	101.8	86.5	69.1	46.8	74.7
ı.	44 4 4								

N/A=not applicable

Source: U.S. Department of Commerce, Bureau of Economic Analysis; accessed through Standard and Poor's

Table 8. District of Columbia General Fund Revenues, 1972-1998

[Millions of dollars]

		[IVIIIIONS OF O	Ondroj								
				tax re	evenue			other lo	cal		
ŀ									Other		·
ļ									revenue		1
	Total, local		General Sales	Special sales		Gross receipts		Non-tax	(including	Fodomi	T-4-11
Fiscal Year		Property taxes	taxes	taxes	Income taxes	taxes	Other taxes	revenue	lottery)	Federal Payment	Total general fund revenues
1972	447.1	140.8	82.4	46.6	139.8	6.7	8.5	22.3	77	173.7	620.8
1973	471.5	122.8	102.1	51.3	155.8	7.3		23.9		181.5	653.0
1974	574.0	149.7	109.2	47.6	165.6	7.8		84.4		187.5	761.4
								•		107.0	707
1975	560.8	166.5	113.6	47.4	183.7	8.5	14.4	26.6		226.2	787.0
1976	648.3	201.7	122.5	57.0	215.6	8.9	13.3	29.1		226.2	874.5
1977	708.0	167.3	141.1	57.9	256.5	18.0	27.3	39.7		276.7	984.7
1978	787.9	199.3	157.9	56.9	283.6	12.9	20.0	57.4		276.0	1,063.9
1979	837.5	214.2	172.5	55.8	301.5	13.8	22.0	57.7		262.4	1,099.8
							Ì				
1980	920.8	219.4	194.0	50.7	339.6	14.5	24.1	78.4		304.9	1,225.7
1981	1,099.8	279.7	238.0	51.5	382.7	14.6	40.6	92.7	ļ	326.1	1,425.9
1982	1,237.3	338.9	247.7	53.9	401.9	16.4	40.1	138.3		336.6	1,573.9
1983	1,313.1	377.6	266.3	59.9	430.4	16.0	49.3	113.6	i	381.4	1,694.5
1984	1,524.7	397.4	297.0	68.6	480.5	98.4	56.9	98.8	27.1	417.2	1,941.9
		İ			i		ļ	1]	
1985	1,692.8	455.1	331.7	71.0	524.6	91.4	62.1	117.0	39.7	471.4	2,164.2
1986	1,862.0	488.8	361.0	71.9	596.0	93.8	73.0	137.5	40.0	450.3	2,312.3
1987	2,042.4	541.2	381.7	77.7	682.8	99.8	90.5	128.7	40.1	479.5	2,521.9
1988	2,221.3	609.4	390.6	78.3	744.3	103.3	95.9	156.9	42.5	459.5	2,680.8
1989	2,423.6	710.8	428.8	78.4	759.9	136.7	90.1	162.0	57.0	453.8	2,877.4
4000											
1990	2,502.9	737.1	466.6	80.3	777.7	127.6	89.9	171.6	52.2	507.0	3,009.8
1991	2,604.0	881.9	451.6	79.4	749.0	142.6	67.3	186.1	46.2	625.2	3,229.3
1992	2,665.1	903.3	442.5	82.3	708.1	180.2	68.0	203.4	77.4	643.8	3,308.9
1993	2,806.8	838.8	410.1	94.7	730.5	229.6	81.3	182.1	66.9	635.9	3,442.8
1994	2,738.8	811.0	458.6	98.9	800.9	243.2	57.5	196.6	72.2	647.9	3,386.8
1005	2646.0	720.2	105 7	62.0	004.4	200.0		400.0		200.0	0.000.0
1995 1996	2,646.8 2,655.7	730.3 701.6	485.7 467.5	63.8 62.9	804.4 843.6	220.0	61.3	196.6	84.7	660.0	3,306.8
1996	2,772.8	687.6	482.4	58.5	937.0	235.0	92.0	178.3	74.8	660.0	3,315.7
1998	3,048.1	695.4	524.9	57.5	1,077.3	229.2 236.6	95.4 139.9	211.9	70.8	665.7	3,438.5
1330	3,040.1	090.4	324.9	57.5	1,077.3	230.0	139.9	235.2	81.3	190.0	3,246.1

Source: D.C. Office of Tax and Revenue

40.8

51.7

53.2

46.1

43.8

34.8

42.0

70.9

99.1

Table 8, continued. District of Columbia General Fund Revenue (selected detail), 1972 to 1998

[Millions of dollars] Real property **Business** Utility and toll transfer and Real property Individual franchise telecommunrecordation License and Fines and Charges for Miscellaneous permit fees forfeitures service non-tax revenue Fiscal Year tax income tax (profits) tax ications taxes taxes 125.7 1.7 4.5 8.4 8.3 1.0 1972 118.9 20.9 129.6 4.3 0.6 108.4 26.2 2.5 9.4 9.7 1973 4.5 9.7 60.9 1974 138.8 139.6 26.0 2.8 9.3 2.3 4.6 9.0 10.3 2.7 32.1 1975 153.8 151.6 59.5 4.8 4.9 12.2 10.3 1.7 1976 186.7 156.1 14.7 12.6 200.9 55.6 7.4 7.8 4.6 1977 152.6 9.2 8.2 19.5 15.6 1978 167.5 216.0 67.6 14.1 11.7 9.4 16.4 17.1 14.9 1979 192.9 238.8 62.6 22.1 20.9 9.0 1980 194.7 276.0 63.6 14.4 26.4 251.9 318.7 64.1 27.6 27.7 22.4 20.7 21.9 1981 336.8 65.1 25.8 29.7 22.1 68.5 18.0 1982 308.0 1983 341.6 351.4 79.0 30.2 28.9 21.3 27.8 35.6 39.0 30.3 23.3 28.5 16.6 1984 359.4 386.6 93.8 76.2 37.8 29.2 33.7 22.7 1985 407.3 417.5 107.1 75.7 31.5 39.5 36.5 29.6 444.8 72.5 44.7 31.9 1986 437.3 151.1 513.2 72.8 63.4 31.9 38.6 36.5 21.7 480.5 169.6 1987 592.8 73.1 62.4 31.6 41.6 48.0 35.7 1988 544.2 151.5 638.2 603.5 156.4 106.5 65.4 33.1 45.5 47.0 36.5 1989 41.0 637.9 93.8 66.4 32.3 48.5 49.7 1990 664.6 139.7 53.0 1991 801.9 615.7 133.3 109.2 40.3 33.0 51.7 48.4 38.0 41.9 51.9 57.4 52.3 1992 820.9 620.2 87.9 148.4 52.9 32.8 1993 755.5 589.5 141.0 165.1 42.7 44.6 51.8 650.7 150.2 174.2 45.8 49.1 48.1 52.1 47.3 1994 730.6 654.3 730.3 160.7 175.6 44.5 47.6 42.4 52.7 53.8 1995

190.3

194.9

197.8

58.9

68.1

107.6

49.4

45.5

48.1

Source: D.C. Office of Tax and Revenue

1996

1997

1998

624.4

617.7

616.9

701.6

687.6

695.4

160.3

183.5

215.8